



Financial capital

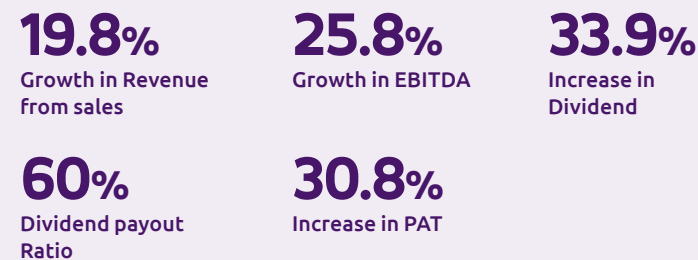
SDGs IMPACTED



Adding robust numbers to our palette

At Asian Paints, we are committed to delivering value in a sustained manner to our stakeholders while pursuing our growth objectives. Our impressive track record of persistent growth and wealth creation attests our efforts. We have strengthened our core business intertwining all our Home Décor offerings, generating strong synergies and supporting our overall strategy of targeting 'share of space' and not just 'share of surface'. Additionally, we have activated some key backward integration initiatives which would not just enhance our product differentiation and cost competitiveness but also drive forward our environmental sustainability agenda.

FY 2022-23 KEY HIGHLIGHTS



ESG STRATEGY

- Energy conservation
- World-class governance
- Ethics, transparency, quality and accountability

KEY MATERIAL ISSUES

- Financial performance
- Business Ethics and Corporate Governance
- Organisational resilience
- Anti-Corruption and Anti-Bribery
- Anti-Competitive Behaviour

INTERLINKAGES TO CAPITALS



STAKEHOLDERS IMPACTED



Financial performance

During the year, the global economy faced challenges by the war situation in Ukraine resulting in increased inflation due to its aftermath. The tightening of monetary policy across the globe had its impact on India as well, but the economy exhibited resilience supported by robust domestic consumption and the Government push on infrastructure.

→ Read more on the macroeconomic landscape and business outlook in Management Discussion & Analysis section in this Integrated Annual Report at page no. 126



ESG integration

We have embedded ESG into all aspects of our business strategy including our investment evaluation process.

ESG-related due diligence is now a key component of our investment process. We conduct this in conjunction with financial due diligence, carefully examining ESG-related implications, compliance issues, regulatory permissions, and social commitments before making investment decisions.

₹ 23.4 Crores

Invested in reducing the environmental impact of products

Creating long-term investor value

Over the past two decades, we have achieved a CAGR of 27.3% in market capitalisation, reaching ₹ 264,897 Crores as on 31st March 2023 from ₹ 2,119 Crores as on 31st March 2003. We are proud of the unwavering faith our shareholders and investors have placed in us, in our growth story by entrusting us with their wealth. We have remained committed to delivering sustained value to our stakeholders.

Over the last 5 years, we have consistently increased our dividend payout-ratio taking it to 60%, a testament to our commitment to sharing our success with our shareholders. We believe in providing sustainable returns to our shareholders by pursuing consistent growth and practising responsible financial management.

Economic value creation*

	(₹ in Crores)	
	FY 2022-23	FY 2021-22
Direct Economic Value Generated[#]	30,596.4	25,640.4
Revenues	30,078.4	25,188.5
Other Income	518.0	451.9
Economic Value Distributed	28,991.5	24,339.9
Operating Costs	23,515.8	20,011.6
Employee Wages and Benefits	1,513.9	1,310.1
Payments to Providers of Capital	2,460.3	1,836.9
Payments to Government [^]	1,424.3	1,110.5
Community Investments	77.2	70.8
Economic Value Retained	1,604.9	1,300.5

[^] It does not include the amount paid by the Company towards Goods and Services Tax (₹ 2,016.9 Crores for FY 2022-23 and ₹ 1,366.4 Crores for FY 2021-22)

[#] Direct Economic Value generated includes financial assistance/grants accrued from Government authorities by the Company in the form of subsidies and export duty credits amounting to ₹ 62.1 Crores for FY 2022-23 and ₹ 119.5 Crores for FY 2021-22.

*GRI 201-1 Direct economic value generated and distributed. | GRI 201-4 Financial assistance received from government

Financial capital

At Asian Paints, we consider payment of tax as an integral element of our corporate responsibility and are committed to being tax compliant. Our responsible tax strategy consists of ensuring compliance with applicable tax laws in India and the countries that it operates in, thereby avoiding tax risks and is aligned to the Company's corporate governance practice and

value system. The Company is present in multiple geographies and through its operations contributes to the community via various direct and indirect taxes and levies. Details of individual jurisdictions' tax positions are made available in the country-by-country reporting as required and communicated by the concerned tax authorities. The Company's position statement on tax governance is available <https://www.asianpaints.com/PositionStatement.html>

A year of progress

Despite challenges in the external environment, we made broad-based progress on all parameters. We have achieved strong double-digit volume growth in decorative business of 14.1% in FY 2022-23. Our product mix was led by the economy and waterproofing range. The Premium range of products witnessed downtrading on account of the unprecedented price increases we had to implement to counter the runaway inflation in raw material prices.

~10%

Revenue contribution from new products

Our newer acquisitions, White Teak, and Weatherseal, have performed exceptionally well, benefitting greatly from their integration with our Beautiful Homes Stores network. This integration has allowed them to expand their reach and provide enhanced customer engagement.

DYNAMIC AND AGILE FINANCIAL PLANNING

Considering the ever changing macro-economic scenario, since the outbreak of COVID-19 pandemic followed by the Ukraine war and other global challenges, inflationary situations remained unpredictable. To address the issues and prepare better business strategies, we have developed an enhanced digital financial planning process which allows us to build various scenarios and quickly amend the plans in line with changing market conditions.



EXPANSION OF FOOTPRINT

We continued to expand our footprint and over the past year, we added new retail points, allowing us to enhance our distribution reach in rural and urban areas alike, and to serve our customers more effectively.

170,000+

Customers serviced through Safe Painting Service (SPS) and Trusted Contractor Service (TCS)

150,000+

Retail Touchpoints catered

GROWTH FROM PROJECT BUSINESS

We have placed a strong emphasis on project sales, including those derived from factories, government investments, and infrastructure projects. As a result, we have seen excellent traction, particularly as the government increases its investment in infrastructure. Overall, we performed well in terms of project business and experienced significant growth in this segment.

'Share of Surface' to 'Share of Space'

We have experienced significant growth in both value and volume terms. By offering our customers a comprehensive range of products that cover the entire home décor space, we continue to see robust growth across all business segments.

We have boosted growth in rural areas by shifting our strategy towards increasing per capita consumption through the conversion of the distemper market into the economy emulsion sales market.

Our home décor brand, Beautiful Homes, has played a significant role in our transition from a focus on 'Share of Surface' to 'Share of Space' within homes. This year, we have expanded Beautiful Homes' offerings by adding rugs to the décor portfolio in addition to decorative lightings and uPVC windows by acquiring White Teak and Weatherseal respectively. Further, we continue to inspire millions to create their dream homes through our online platform - BeautifulHomes.com which provides insights to emerging trends.



42

Beautiful Home stores

31

Cities

Deriving cost savings and market penetration

Our efforts in optimising product formulations and manufacturing processes have enabled us to stay ahead of the curve and penetrate new markets, particularly in rural areas, and reach a broader range of consumers via multiple retail touchpoints and at the same time optimising the distribution costs that come with penetrating newer markets.

We have continued to invest in research and development and have come up with newer and innovative products that have been offering superior value propositions to the customers which is a clear differentiator.

During the year, we placed particular focus on the manufacturing of new, cost-effective emulsions with reduced monomer components, which resulted increase in margins.

Additionally, we have developed low-cost alternatives for certain categories of resins, reducing raw material costs and achieving significant savings. We maintained our focus on the efficient use of manufacturing plants to optimise operating costs.

In line with this goal, we have planned upgrades to our traditional plants, incorporating newer technologies that will help bring down operating costs.

We implemented an in-house RDP manufacturing set-up and became the first Indian Company to achieve self-reliance in this area. This initiative aligns with the Make in India campaign and grants us greater control over our formulations, paving the way for potential future innovations. We also undertook projects focused on increasing profitability of certain category of products and business segments. We were able to increase the profitability by improving the product mix and reducing the associated overheads.

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Financial capital

Effective working capital management

Effective management of working capital is critical to achieving our goal of maximising returns. We are committed to achieving our cash flow goals, maintaining targeted inventory levels, efficient debtors' management, and optimising payables. By focusing on these key areas, we successfully manage our working capital.

We ensure adequate inventory levels that allow for timely deliveries while also optimising inventory to avoid excess stock and stockouts. We continuously invest in and upgrade our forecasting models to meet customer demand and ensure on-time deliveries and at the same time optimise inventory levels in the system.

During the year, we continued our dedicated efforts to recover overdue receivables, which have yielded significant benefits helping us to minimise bad debts and ensure timely payments.

Considering the expanding dealer base and to better manage the increasing working capital, we explored new avenues to facilitate faster recoveries. We leveraged our banking relationships that helped dealers to avail credit facilities at cheaper cost, thereby managing their working capital and reducing our exposure to the receivables.

Unlocking value with effective capital allocation

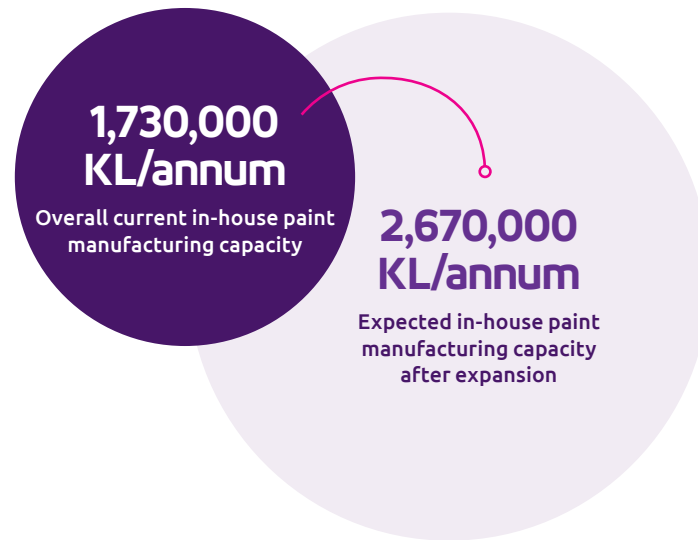
We are currently expanding capacity at our existing plant locations in Kasna, Khandala, Mysuru, and Ankleshwar. These brownfield investments will increase our in-house paint manufacturing capacity by 30%, entailing cash outflow of ₹ 3,400 Crores and support our growth needs for the upcoming years.

In addition to our current expansions, we are also planning a greenfield expansion to support our long-term capacity and growth. This new plant, at an identified location in Madhya Pradesh, will have a capacity of 4 Lakhs KL per annum at a cost outlay of about ₹ 2,000 Crores, bringing our overall manufacturing capacity to 26.7 Lakhs KL per annum.

We will be investing ₹ 2,100 Crores over the next 3 years to establish an installed capacity of 1.5 Lakhs tonne p.a. for VAE emulsion along with 1 Lakhs tonne p.a. for its key ingredient, VAM, making our Company the first in India to invest in such a technology.

The benefits of this technology are manifold, from reducing import dependency to lowering material costs to having greater control over formulations and ensuring product quality. In addition, this sustainable technology entails lower VOC content, which aligns with our Company's sustainability targets.

→ Read more on our capacity expansion plans in Fortifying our leadership on page no. 26



White cement manufacturing is another area of backward integration. For this, the Company has entered into a JV agreement to put up a 2.65 Lakhs metric tonnes p.a. manufacturing facility of white cement in the UAE, which will enable us to cater to a market that is growing at 15-20% per annum.

We have announced another significant investment in nanotechnology by partnering with Harind Chemicals and Pharmaceuticals Private Limited, which is a pioneer in nanotechnology based surface coatings and care. This move provides us with access to cutting-edge technology and use cases, which will enrich our R&D efforts and enable us to offer innovative product propositions, particularly in emulsions and waterproofing. The technology also allows us to reduce our overall raw material consumption, leading to substantial cost savings.

Corporate governance and Stakeholder engagement

Our Code of Conduct for Employees and Code of Conduct for Business Partners sets out guiding principles and expectations. The Code serves as a central policy document outlining the requirements that all individuals working for or with the Company must comply with, regardless of their location or the nature of their operations.

→ Read more about Governance on page no. 40

We are committed to ensure that we do not fall foul of competition law and engage in fair and ethical practices in the market. To this end, the Company has conducted various training sessions for its senior and middle management and for relevant employees in junior management cadre to make them aware of competition law. The training sessions enabled the employees to identify potential conflict, improve their understanding of law and regulation and inculcate a culture of compliance, which will help prevent violation. The Company has strong governance structure and a robust internal control system.

→ For more details refer to Management Discussion & Analysis on page no. 126

Investor engagement

We consider transparency and communication to be essential components of our investor relations strategy. As part of our outreach efforts, we host quarterly conferences for investors and make audio and video recordings, as well as transcripts available on our website. In addition, we actively participate in round table investor conferences, road shows, and investor meetings to engage comprehensively with our investor community. During the year, the Company had 61 such engagements with the investor community.

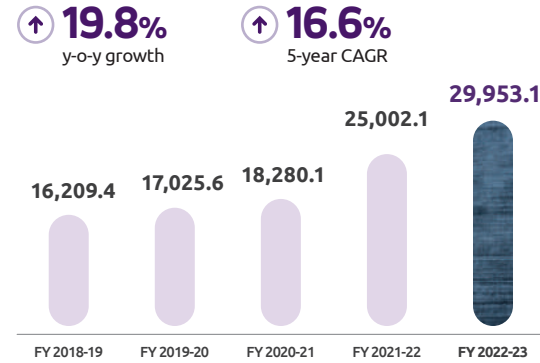


Financial capital

Numbers that make us proud

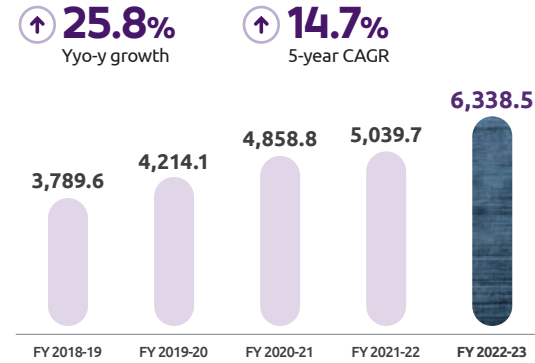
REVENUE FROM SALES OF PRODUCTS AND SERVICES

(₹ in Crores)



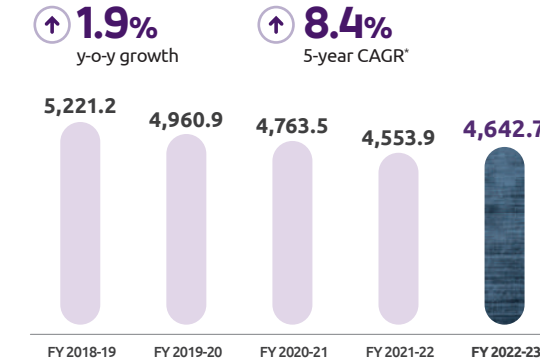
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)

(₹ in Crores)



NET FIXED ASSETS

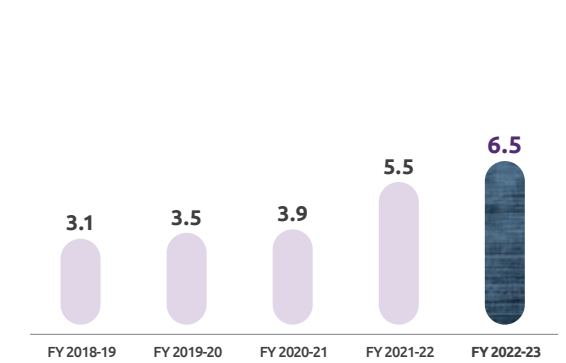
(₹ in Crores)



*FY 2017-18 (base year for CAGR calculation) does not include fixed assets of Mysuru and Visakhapatnam as the plants were commissioned in FY 2018-19 and impact of Ind AS 116 - Leases.

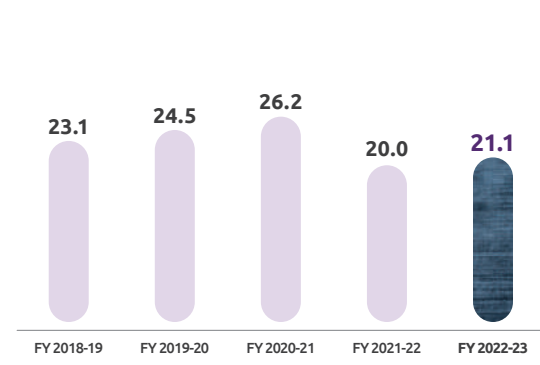
ASSET TURNOVER RATIO

(x times)



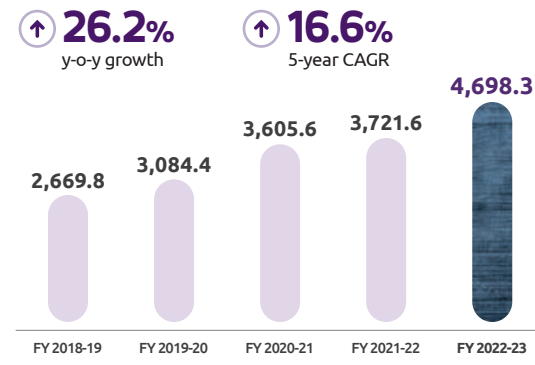
EBITDA MARGIN

(%)



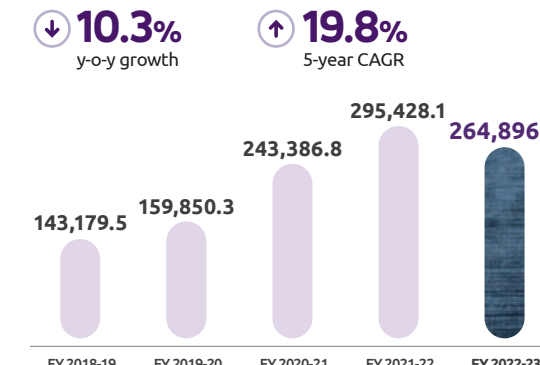
CASH PROFIT

(₹ in Crores)



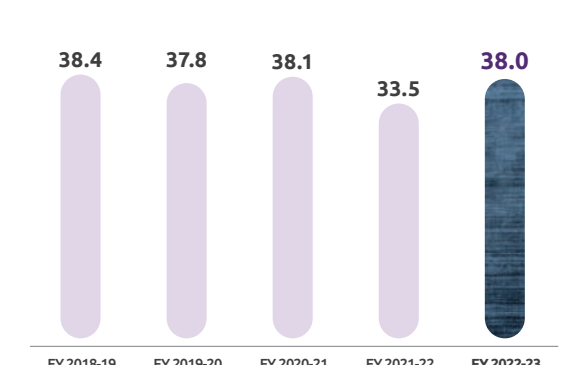
MARKET CAPITALISATION

(₹ in Crores)



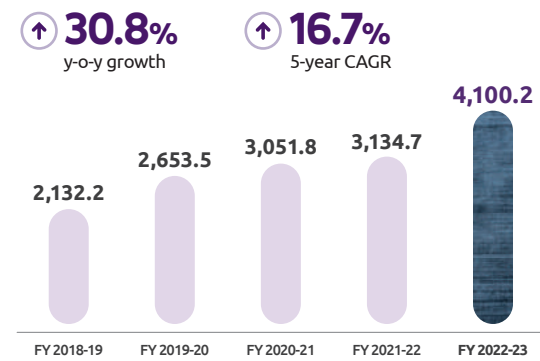
RETURN ON CAPITAL EMPLOYED (ROCE)

(%)



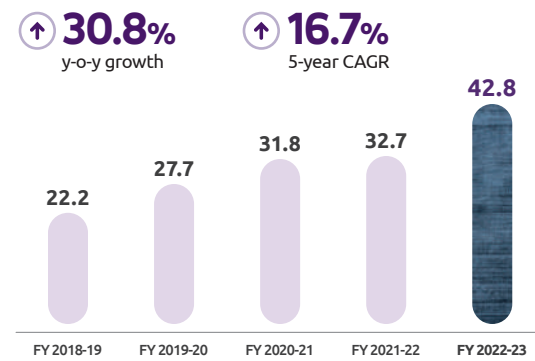
PROFIT AFTER TAX (PAT)

(₹ in Crores)



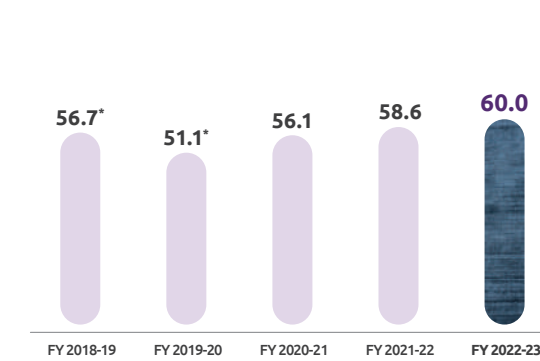
EARNINGS PER SHARE (EPS)

(₹)



DIVIDEND PAYOUT RATIO

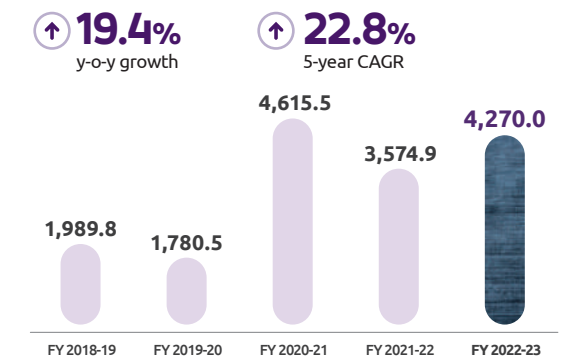
(%)



*Includes Dividend Distribution Tax

SURPLUS CASH

(₹ in Crores)



All figures here are on Standalone basis

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.