

# MD & CEO's message

## Dear Shareholders,

Globally, FY 2022-23 has been a year of significant challenges amidst the continuation of the raging war in Ukraine and other growing geopolitical tensions to the lingering impact of COVID-19. The effect of mounting inflation and tightening monetary policy was felt by many advanced economies, resulting in volatile markets that caused economic uncertainty.

Amid this volatility and inflationary environment, I am immensely proud of how we continued to build on our legacy of not only being a leader in the decorative paints segment but also diversifying into the area of home décor which has complemented our efforts to enlarge the consumption of paint and décor in India. As a Company, we delivered robust results for the year along with altering the services paradigm by scaling and innovating our Safe Painting and Beautiful Home Services.

Our performance in Industrial Paints has been one of the best in the last decade leveraging our partnership with PPG Industries Inc. of USA. We have also embarked upon certain key strategic steps to enable our next growth milestone prioritising investments that will differentiate us and further enhance 'Asian Paints' brand saliency with our customers.

The Asian Paints Management team has been the biggest asset in driving this performance and we are proud that we have nurtured a strong, determined, and dedicated team which continues to invest their energy in ensuring that your Company continues to create lasting value for all stakeholders.

### FY 2022-23 in review: Looking back at the year that was

We delivered on our promise of industry-beating growth for the year despite challenging conditions with demand facing headwinds in the form of extended monsoons and shortened festive season period. Further, persistently high inflation impacted consumer sentiments across segments and price points. As a leading company, we implemented some calibrated and gradual price hikes which helped us protect the overall demand sentiment. We were also able to launch new customer propositions and innovations across segments which helped us in galvanising the overall demand. Towards the latter half of FY 2022-23, we started seeing some softening in raw material prices and coupled with some great work on cost efficiencies by our R&T and Supply Chain teams we were able to shore up the profit margins in the second half of the year.



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## Decorative business, India

We delivered a double-digit volume and value growth in the Decorative business taking multiple steps to expand the market and also gain from the organised and unorganised segments of the market through our distinct product and service offerings. We saw some downtrading due to the calibrated price increases we took over the last two years. We also saw an increased portion of economy products in our mix as it has been a conscious effort from our side to expand the market and make stronger inroads in the bottom of the pyramid segment tapping into this demand through affordable value propositions.

We ended the year with a presence across more than 1.5 Lakhs retail touchpoints widening our distribution network across the growing footprint of smaller cities and towns. Our safe painting and trusted contractor services are the largest of its kind painting service in the world and are now available across more than 600 towns. We also continued to drive the innovation quotient further launching a range of new products and bringing out some 'first of its kind' propositions for our discerning customers.

Our projects and institutional business maintained their high growth trajectory in FY 2022-23. Demand was particularly strong from the construction segment and the factory segments, which was further boosted by the increased Government spending on infrastructure. This growth has also helped to drive our expansion in the waterproofing and construction chemicals areas, a trend we see continuing in the year ahead as well. Our SmartCare waterproofing range of products has seen robust growth helping us establish ourselves as one of the largest players in this category.

## Brand equity

We continued to invest in the Brand 'Asian Paints'. Our foray into digital and various areas of social media has kept the saliency of the brand high. One of our key initiatives of 'Where the Heart is', in its season 6, continued to give wings to the emotional quotient of 'Har Ghar Kuch Kehta Hai'.

For almost a decade, Asian Paints has collaborated with St+art India Foundation to democratise art and transform urban landscapes in India. Our partnership continues to thrive with the goal of making art more accessible to everyone. Together, we are truly proud of the 6 art districts and around 400+ murals that had a meaningful impact on communities across the country over the years. This year, we embarked on one of our most formidable projects. We joined forces for the Mumbai Urban Art Festival and you will see more of the wonderful work we accomplished together in the inner pages of this report.

## Home Décor business

Our evolution from share of surface to share of space has grown from strength to strength this year. We are moving well on our stated objective to make this business about 8 to 10% of our overall decorative business, including home décor services, by FY 2025-26. Our main focus is to support the customers every step of the way through her entire homemaking journey, making the process joyous and as smooth and efficient as possible. With its natural synergy with our decorative coatings product offerings, this segment will make Asian Paints a key partner in our customer's décor life journey in creating 'Beautiful Homes'.

We offer a unique 'phygital' experience to our customers in this segment i.e. both physical and digital. We now have a large network of Beautiful Homes Stores across 31 cities and our flagship Beautiful Homes Service – an end-to-end home interior design and execution offering, is now available in 13 cities. Our inspiration portal 'beautifulhomes.com' is visited by around 50 Lakhs visitors and has 1.5 Lakhs Instagram followers, generating numerous leads. With our omnichannel presence, we not only offer bespoke home décor concepts to our customers but also partner with her in bringing these concepts to life, turning their dreams homes into reality.

Both our Bath and Kitchen segments are shaping up well. Our bath business has remained profitable over the last six quarters while our kitchen business has crossed the ₹ 100 Crores mark in revenues every quarter this year.

We established strong partnerships last year with both White Teak and Weatherseal, two established names in the decorative and designer lighting and uPVC windows and door systems space. These partnerships have grown and scaled up well over the year benefitting from the integration with our Beautiful Homes Stores network.



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Our other tie ups during the year with fabric and furnishing brand "Pure" and "Jaipur Rugs" have significantly added width and value to our overall décor portfolio. These partnerships enable us to better service our customers, home décor needs and we are excited to further leverage their potential.

### Industrial business

Our industrial business delivered a solid performance for the year. The automotive industrial coatings business benefitted from the recovery in the automotive space and was also supported by growth in the refinish segment. Our non-automotive industry coatings business grew with our focus on the oil and gas sector, road markings, and flooring and crossed the ₹ 1,000 Crores mark.

The aggression in industrial business has given us better reach and depth across a large number of customers with significant gains in the market.

Furthermore, we are expanding our capabilities and technology base to address some key infrastructure project requirements, which have strong attention from the Central as well as multiple State Governments.

### International business

Given the tough conditions across Asian and African markets, our international business has done relatively well delivering decent profits. Overall, the business grew in value terms and to a larger extent in constant currency terms given the currency devaluation in many countries. All geographies grew except for Asia due to the economic crisis in Sri Lanka and depleted demand conditions in Nepal and Indonesia, especially in the second half of the year. We have registered good gains in our premium & luxury product offerings and the project sales segment across countries. Our foray into waterproofing and painting services has given us a strong edge and will continue to fuel our performance in the international markets.

### ESG in action

We have always looked at intertwining our sustainability agenda into the Company's business objectives and considered our focus on ESG to be a key driver of long-term value creation for all our stakeholders.

Resource efficiency is at the heart of our environmental strategy and is reflected strongly in our initiatives. Through our commitment to clean energy, renewable energy is now over 62.2% of our electricity consumption at our manufacturing locations. One of the key achievements is Asian Paints becoming water positive replenishing 3.8 times of our freshwater consumption.

This has been achieved through a strong set of initiatives in water harvesting, water regeneration, and work with communities so that we can influence the life of people, thereby bringing joy to people's lives. Several of our factories were recognised and awarded for their environmental performance be it on our initiatives under water or for our efforts under energy use. We also impacted and touched the lives of more than 3.5 Lakhs people through our various health initiatives.

While we have been publishing Sustainability Reports for several years and more recently an Integrated Annual Report with details around all these areas, we are committed to raising the bar even higher. We have established targets for ourselves through 2030 across the areas of ESG. We will annually report progress on these targets to update all stakeholders on our ongoing initiatives.

As a move forward, we continue to develop safe and sustainable products. One of our latest projects involves, backward integration to manufacture Vinyl Acetate Ethylene Emulsion (VAE) represents a significant step towards strengthening our position in this area. This emulsion has low volatile organic compounds and is an environment-friendly emulsion.

Additionally, we have also developed our range of organic colours called Nilaya Naturals, with over 90% natural ingredients. This paint, the first-of-its-kind in the world, is robust and has a clean, fresh scent. The palette has more than 200 shades and is created with a unique blend of materials sourced from around the world and India.

### Looking ahead at what's next

As we look forward to the next phase of growth in our stellar journey, we have initiated multiple initiatives laying out an investment plan of ₹ 8,750 Crores across multiple areas – capacity expansion, futuristic technology and product capabilities, backward integration, and a host of other initiatives.

We are currently expanding our manufacturing capacity both through greenfield and brown-field expansions. In line with our backward integration plans, we have entered into a binding agreement to acquire a majority stake in a specialty chemical and next-generation nanotechnology player, which will enhance our technology and innovation across our products.

We have also announced plans to establish manufacturing capabilities for VAE emulsion – a next generation, environment friendly emulsion which will provide us with a sustainable competitive and cost advantage for us in the future.



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We will also be entering the white cement manufacturing space through a joint venture. We believe that all these investments will propel our organisation to its next growth trajectory.

Moving into FY 2023-24, we are filled with optimism and positive momentum from our Q4 growth. We have seen two years of robust growth which has enabled us to touch the ₹ 30,000 Crores net sales mark.

While we will continue to aggressively pursue growth and outperform the market, we are seeing a certain maturity and some normalisation in growth rates from COVID times. We also keep hearing cautious tones on inflation and an oncoming global recession. However, India is well-poised to deliver strong GDP growth and its high correlation with the domestic paint industry will ensure that we continue to grow as well.

The industry is seeing elevated interest from many new players who have announced plans to join the fray which highlights its strong growth potential. It is a proud moment for us as we have been able to raise the bar on per capita consumption of paint in India through our various initiatives of increasing painting frequencies and innovating on new categories like exteriors, waterproofing, textures, and wood finishes. We feel there is enough space for all the companies to co-exist and bring more innovation and opportunities in the Paint Industry.

As a leading company, we will continue to propel innovation, invoke technology and look at customer centricity in a big way as we move forward and create strong acceleration in the market. Above all, we will continue investing in our people remaining committed to their continuous learning and growth, and further driving diversity and inclusion. As we move forward in our journey, I deeply appreciate the wisdom, engagement, and support of our Board of Directors, as well as the trust and confidence of our stakeholders. You have my assurance that we will continue to deliver as we have always, whilst bringing joy to people's lives.

Warm regards,

**Amit Syngle**  
Managing Director & CEO

