CLSA INDIA FORUM

16 November 2018

DISCLAIMER

This presentation may contain statements which reflect Management's current views and estimates and could be construed as forward looking statements. The future involves certain risks and uncertainties that could cause actual results to differ materially from the current views being expressed. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures and regulatory developments.

Responses can only be given to questions which are not price sensitive.

ASIAN PAINTS TODAY

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No. 1
Paint Company
in India

Over
$ 2.5 Billion
Group revenue

3
Times nearest Competitor in India

3rd Largest Paint Company in Asia

9th Largest Paint Co In the World

Operations in
16
countries

25
Paint Manufacturing Plants

Part of
30 share
BSE
S&P SENSEX

50+
Years of Market Leadership in India

Forbes Asia's Fab
50
Company; Fifth times in a row

Part of NSE Nifty
50

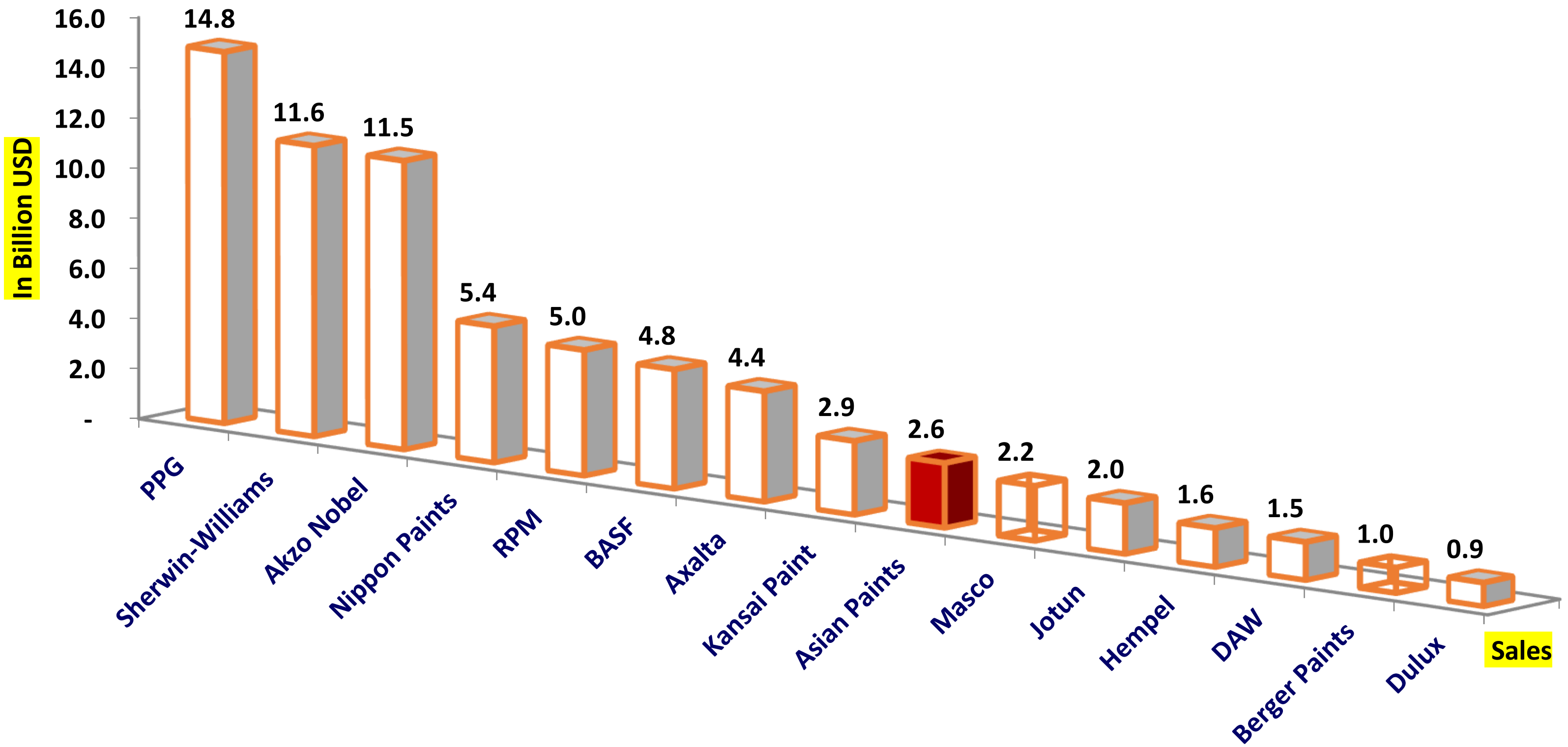
Servicing Consumers in over
65
Countries

7500+
Employees worldwide

Offerings across:

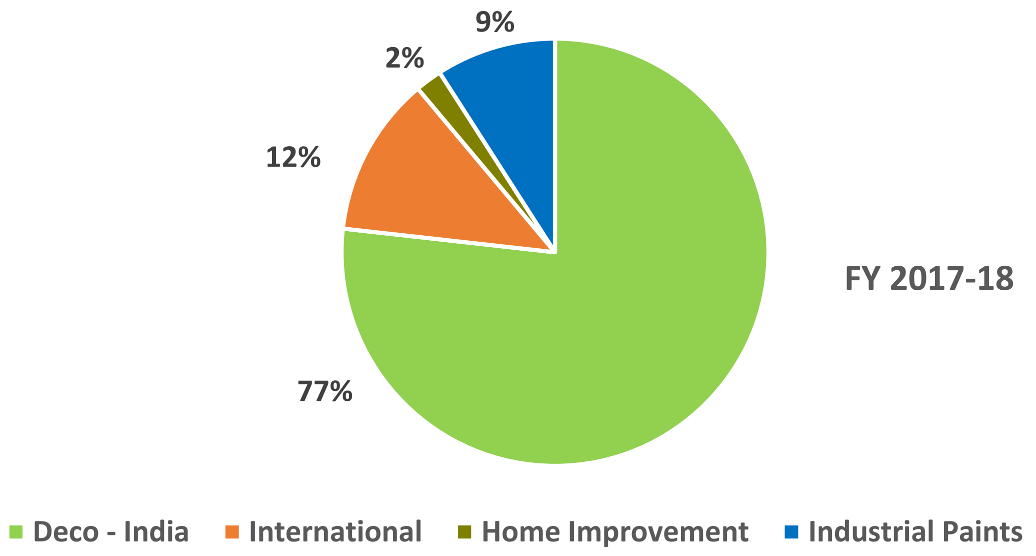
- Paints
- Chemicals
- Wall Coverings
- Water proofing
- Kitchen
- Bath fittings
- Adhesives

COATINGS INDUSTRY - GLOBAL STANDING



Source : Coatings World Magazine (July 2018 issue)

BUSINESS SEGMENTS - PORTFOLIO



Deco India : Paints, Water Proofing, Wall Coverings & Adhesives
International – Operations outside India (Asia, Africa, Middle East and South Pacific)
Industrial – Two 50:50 JVs with PPG Inc, USA for automotive & Industrial paints in India
Home Improvement – Bath & Kitchen business in India

INDIAN PAINT INDUSTRY - DYNAMICS

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$7 Billion Industry

Growth closely linked to GDP Growth

1 to 1.5 times Real GDP Growth

Low per Capita Paint Consumption at ~3.75 Kgs

Global average @ 12-15 Kgs

70:30 Organized sector to Unorganized

Potential for growth

Paints sold through Mom & Pop Shops

Servicing directly by company

75:25 Decorative Paints to Industrial Paints

50:50 Global Ratio

INDIAN PAINT INDUSTRY - GROWTH DRIVERS

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- Urbanization & Nuclear Family phenomenon; Smart Cities; Affordable Housing
  - Family involvement in decision making
  - Upgradation, trendy colours, wall coverings, designer walls etc.
- Higher awareness influencing customer preferences
  - Quality, Decorative and Protective features of paints
- Unorganized to Organized shift with GST implementation from July 2017
  - GST rate reduction – latest reduction from 28% to 18% (July 2018)
- Infrastructure growth viz. Roads, Ports, Refineries etc.
  - Benefits Industrial Paint segment
- Automobile majors' India focus and Making India an Export hub
  - Benefits Auto Paint segment

DECO INDIA - BUSINESS FOOTPRINT

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- Largest business unit - 77% of group revenues

- Leveraging its distribution strength (55,000+ dealers across the country)
  - Introduced new categories like Water-proofing, Adhesives, Wallpapers

- State of the art, highly automated decorative paint manufacturing plants – Seven such plants across the country for an efficient distribution footprint
  - Total manufacturing capacity of 1.33 million KL/annum of Decorative paint products
  - Some of the largest single location automated paint manufacturing capacities across the world

- Setting up paint plant at Vizag (Andhra Pradesh) with full scale capacity of 0.5 million KL/annum
  - First phase of 0.3 million KL/annum to be commissioned in the last quarter of FY 2018-19
  - Mysuru (Karnataka) plant commissioned in Sept 2018 with initial capacity of 0.3 million KL/annum

DECO INDIA

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LAST 20 YEARS………

- ❖Increased Market Share by over 20%
- ❖Exploded emulsion growth – especially in exteriors
- ❖Upgraded distempers to emulsions
- ❖Launched over 150 new products
- ❖Re-invented the brand - moved into Décor & services – APHS, Paint Total, ColourPro, Colour Consultancy

VISION:-

‘To be the fore runner of inspiring décor and to actively empower customers to create their dream homes’

DECO INDIA - CHANGING WITH TIMES

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asian paints → asianpaints → asianpaints

1954 → 2002 → 2012

- Lifting the brand into a modern, contemporary space
- Unique, Vibrant, Colourful
- Symbol of creativity and décor

DECO INDIA

The key has been continuously attempting to understand and meet the changing needs of the ever-changing consumer

- ❖Refashioned retailing – focus on dealer influencing the consumer
- ❖Increased reach – 15,000 retailers to 55,000+ retailers (44,500+ ColourWorlds – proprietary tinting system)
- ❖Achieved a premium image; high sale of faux finishes.
- ❖Leader across all geographies except Kashmir
- ❖70% of sale on 3 day payment
- ❖Use Information Technology across all areas of operations
- ❖135 depots servicing over 55,000 customers yet reduced FG inventories
- ❖20 to 30 new products every year
- ❖Built the largest and most modern factories in the world
- ❖Branched into waterproofing, painting tools, premium wood finishes, adhesives

DECO INDIA

- Network Expansion
  - About 3000 dealers added every year
  - 4000 ColourWorlds additions per annum
  - 25 Colour Ideas additions per annum

- **<u>Most products sell at a 5 to 10% premium</u>** to competition while gaining share.

- Research & Development
  - 225 scientists at a $25 million facility
  - Continuous Sourcing / Formulation efficiency; New Product Development
- Training & Development
  - Painter training for skill development /upskilling -100,000 trainings in FY17-18.

DECO INDIA - INNOVATION IN RETAILING

- Innovating the retailing footprint with about 390 Colour Ideas stores
  - Showcasing latest product and solution offerings
  - Enabling consumers to get inspired, try and decide – helped by a consultant

Traditional Hardware shops

44,500+ Colour World -
Paints tinted at dealer outlets

Colour Ideas – *Modern dealer outlets – end to end home décor solutions*

DECO INDIA - INNOVATION IN RETAILING

- Experimenting with AP Homes
    - Multi-category integrated décor store offering products & solutions across categories of paints, wallpapers, kitchen, bath fittings, sanitaryware, furnishings, light fittings, etc.

***AP Homes** - Multi-category décor stores at Coimbatore, New Delhi, Kochi & Raipur*

INDUSTRIAL COATINGS INDIA

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- Participating in the Indian Industrial coatings segment through 2 Joint ventures with PPG Inc. of USA, the global coatings leader
- Industrial business makes up about 9% of the group revenues
- Servicing the entire spectrum of Industrial coatings products - Automotive coatings, Refinishes, Protective coatings, Floor coatings, Powder coatings
- Market leader in the Auto Refinish segment
- Second largest player in the Auto OEM segment
- Expanding Industrial coatings manufacturing capacity to cater to OEM demand
- Many Auto OEMs (including Ford, Hyundai, General Motors) focused on using India as a base for servicing overseas markets

PPG asian paints
Automotive, Marine and Speciality Coatings

asian paints PPG
PROTECTIVE, PERFORMANCE AND POWDER COATINGS

INTERNATIONAL BUSINESS

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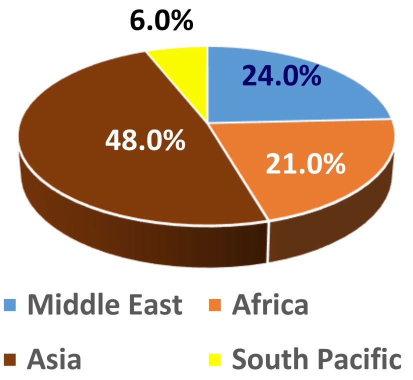
- Contributes about 12% of group revenues operating in 15 countries outside India
- In top three in all markets in Decorative paints, except in Singapore & Indonesia
- Significant presence in Middle East and South Asia
- Expanding its international presence with key focus on Africa and South East Asia
  - Set up greenfield operation in Indonesia with capacity of 24,550 KL/annum
  - Acquired the 2nd largest paint company, Kadisco, in Ethiopia in 2015
  - Acquired the 2nd largest paint company, Causeway, in Sri Lanka in April 2017
- Recently divested operations in Caribbean to realign the portfolio towards high growth emerging markets

MARKET POSITION ACROSS GEOGRAPHIES

REGION	COUNTRY	MARKET POSITION	BRAND
ASIA	NEPAL	1	ASIAN PAINTS
	SRI LANKA	1	CAUSEWAY PAINTS
	BANGLADESH	2	ASIAN PAINTS
	INDONESIA	-	ASIAN PAINTS
	SINGAPORE	-	BERGER PAINTS
MIDDLE EAST	BAHRAIN	1	BERGER PAINTS
	UAE	3	BERGER PAINTS
	OMAN	4	BERGER PAINTS
AFRICA	ETHIOPIA	2	KADISCO
	EGYPT	3	SCIB PAINTS
SOUTH PACIFIC	FIJI, SOLOMON ISLANDS, SAMOA, VANUATU, TONGA	1	TAUBMANS, APCO

IBU Group



HOME IMPROVEMENT SEGMENT

- Forayed in this business segment five years back with a vision of being a complete décor solutions provider to help customers create their dream homes

- Currently offering products and solutions in 2 categories
  - Kitchens – engaged in business of manufacturing, selling and distributing complete modular kitchens, kitchen components including wire baskets, cabinets, appliances, accessories, etc;
    - Recently introduced Wardrobes
  - Bath Fittings
    - Introduced sanitaryware recently

- Currently contributes to less than 2% of group revenues but a key focus area for future growth alongside the growth potential in main coatings business

- Leveraging our distribution strength and customer understanding around Décor

HIGHEST STANDARDS OF CORPORATE GOVERNANCE

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- Company's philosophy founded on fairness, accountability, disclosures and transparency

- Comprehensive disclosures, structured accountability in exercise of powers, adhering to best practices and commitment to compliance with regulations - Integral part of business

- Experienced Board of Directors – Independent Directors with strong industry knowledge & experience

CONSISTENT PERFORMANCE

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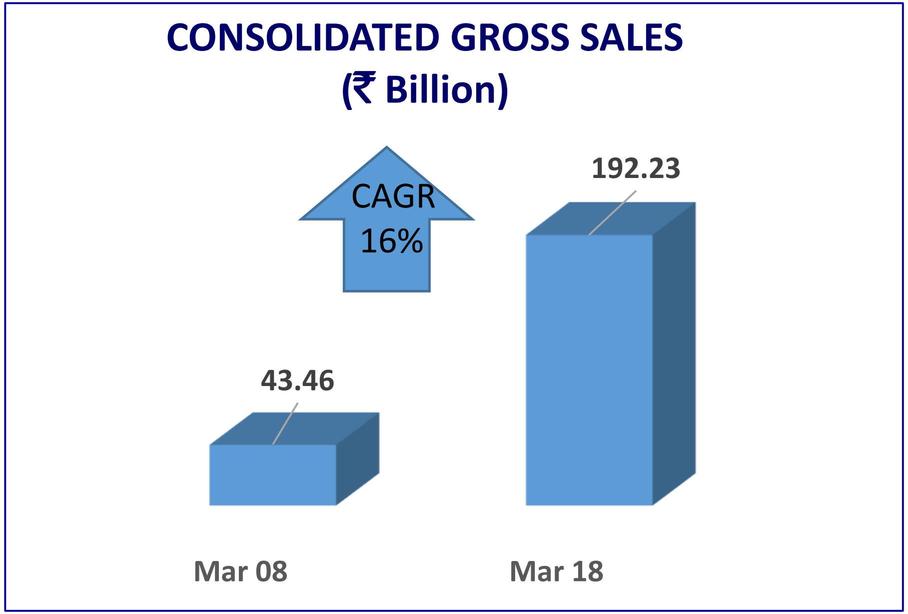

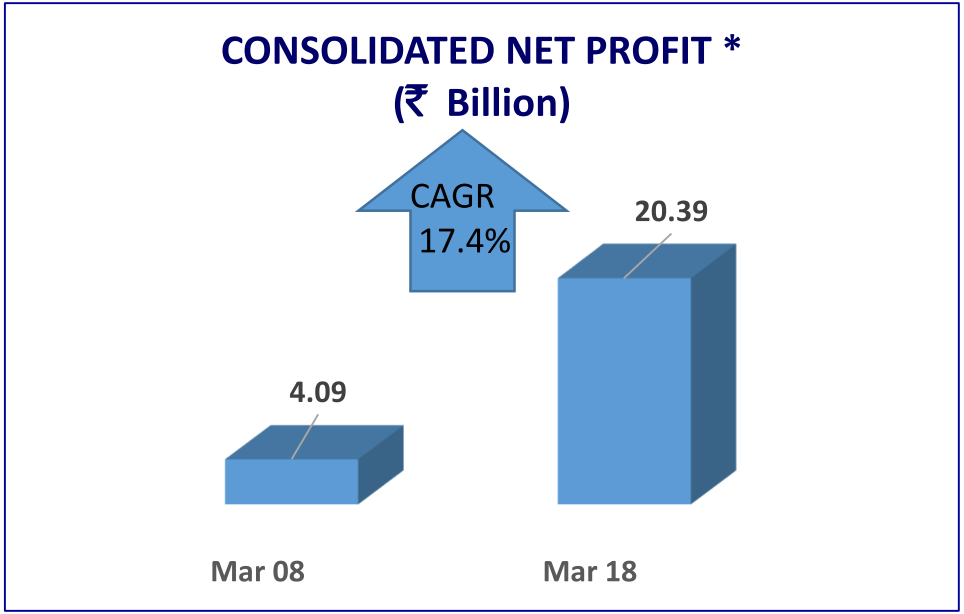

** After Tax and Minority Interest*

SUSTAINED VALUE CREATION

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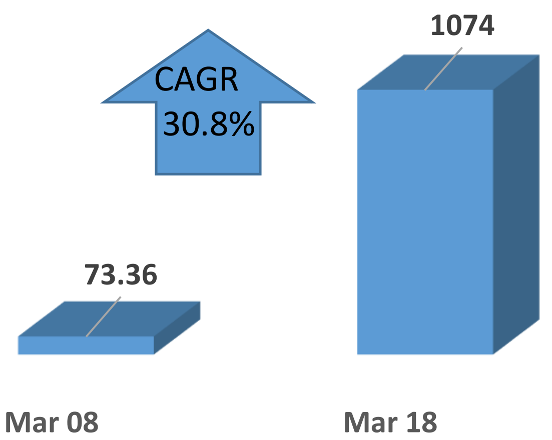
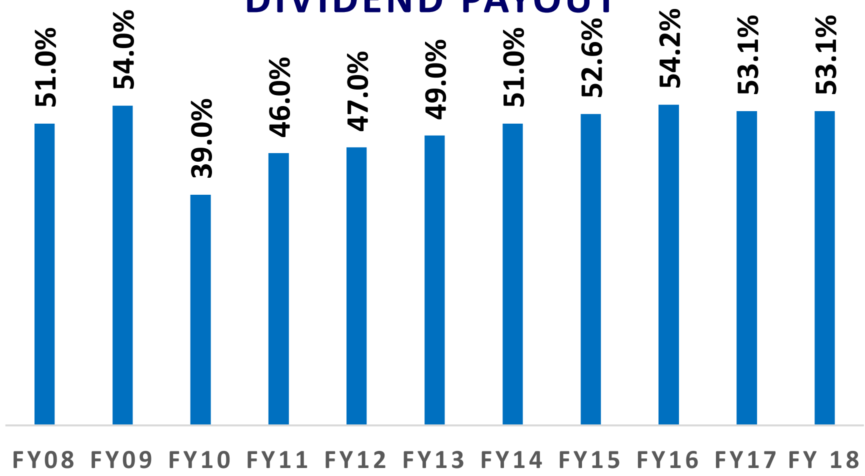
MARKET CAPITALIZATION (₹ Billion)

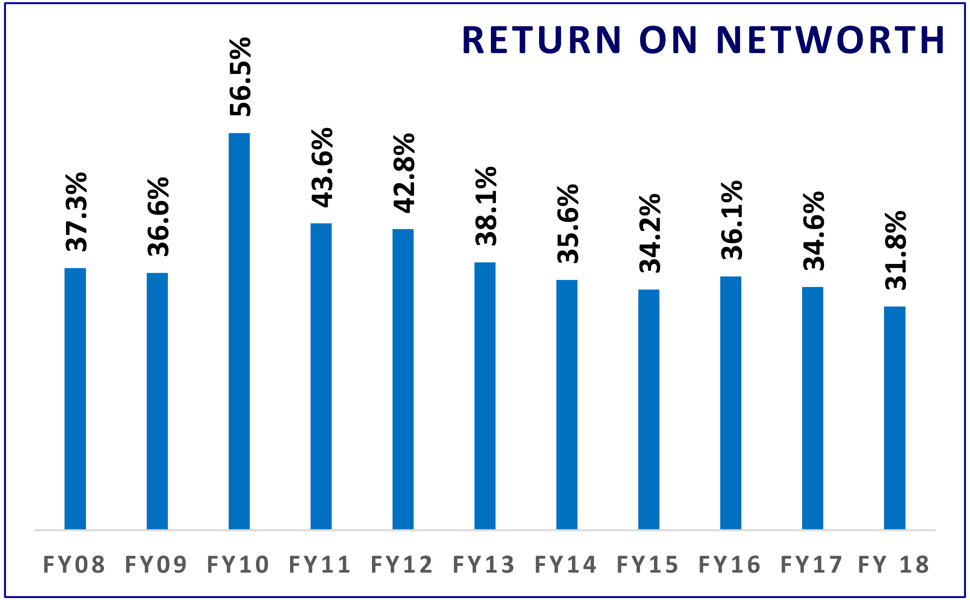


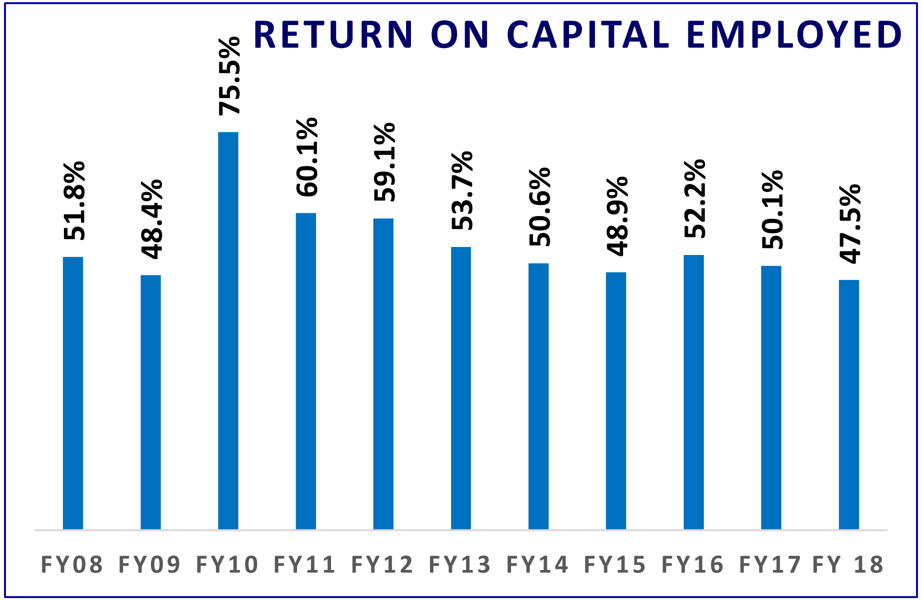
DIVIDEND PAYOUT



Current Market Cap at ~ ₹ 1150 Billion
(~ $ 16 Billion)

SUSTAINED VALUE CREATION





FINANCIALS : QUARTER 2 - FY 2018-19

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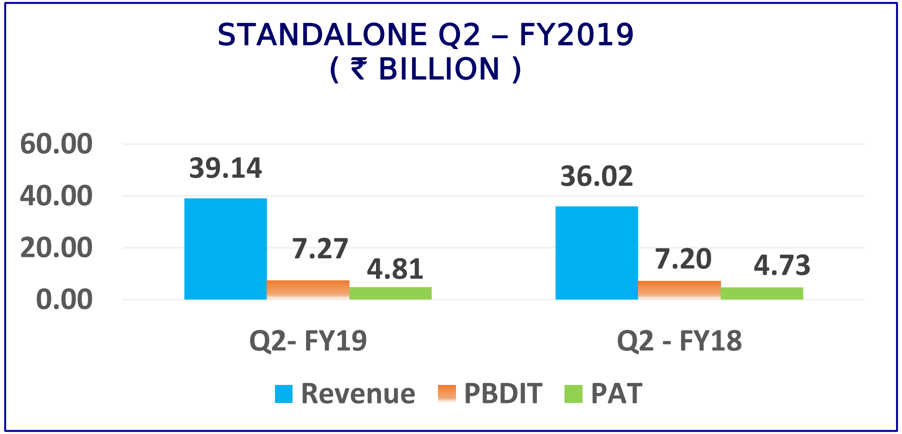
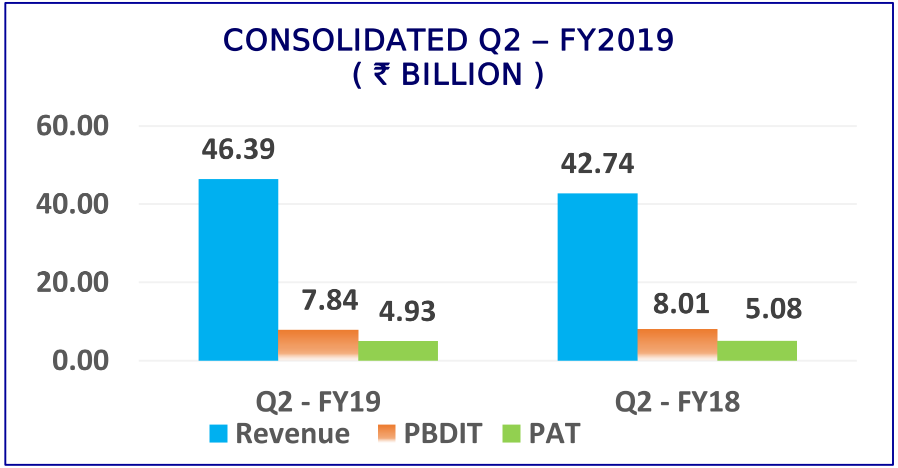


Revenue from Operations: 8.7%

PBDIT : 1%

PAT : 1.7%

PBDIT Margin of 18.6% in Q2 – FY19 as compared to 20.0% in Q2 - FY18



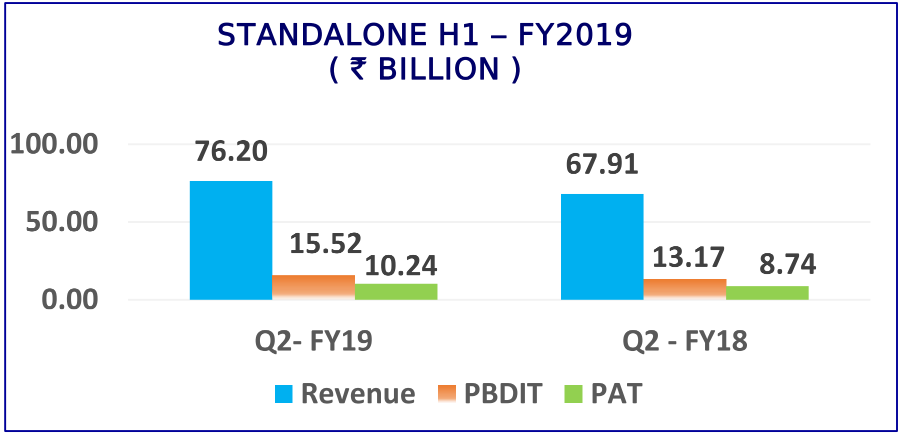
Revenue from Operations: 8.5%

PBDIT : (2.1%)

PAT : (3.1%)

PBDIT Margin of 16.9% in Q2 - FY19 as compared to 18.7% in Q2 - FY18

FINANCIALS : HALF YEARLY - FY 2018-19

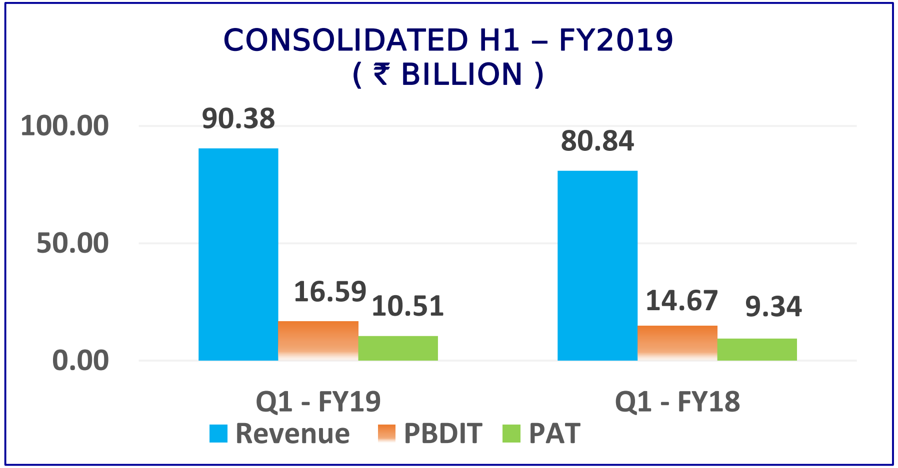


Revenue from Operations: 12.2%

PBDIT : 17.9%

PAT : 17.1%

PBDIT Margin of 20.4% in H1 – FY19 as compared to 19.4% in H1 - FY18



Revenue from Operations: 11.8%

PBDIT : 13.1%

PAT : 12.6%

PBDIT Margin of 18.4% in H1 - FY19 as compared to 18.1% in H1 - FY18

THANK YOU