



OLD CANVAS, FRESH COLOURS

Adding a shade of technology: MD Ashwin Dani's focus is on high-performance paints

At a time when promoters are either diversifying feverishly into sunrise areas or gobbling up assets internationally, Asian Paints is doing neither. It's done plenty of the latter when most of India Inc. hadn't awoken to the opportunity. Now, the company prefers to focus on what it knows best—paints and the domestic market.

ANAND ADHIKARI

FIFTY ONE-YEAR-OLD Mosongo Moukwa is a new face at the 65-year-old Asian Paints headquarters in suburban Mumbai. Surviving on a diet of chicken *biryani* and *gulaab jamuns*, the US citizen (who was born in Congo, Africa) is the second Vice President (Technology) at Asia's third-largest paints company. His job profile? To spearhead initiatives to roll out new-generation paint technologies and breakthrough products for the company that has 29 manufacturing facilities across the globe. A former VP at Reichhold Inc. of the US, the world's largest supplier of unsaturated polyester resins, Moukwa joined Asian Paints 15 months ago. "I was looking for an opportunity in emerging economies, especially China and India," says Moukwa who is now part of the

THE NEXT 10 YEARS PROMISE TO BE AS EXCITING, IF NOT MORE.

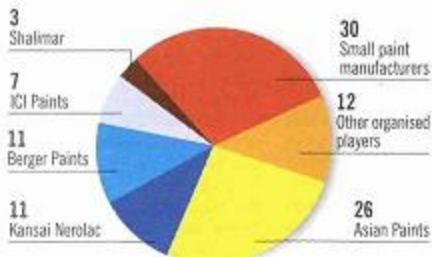
- Big thrust on paint technology to roll out high-performance paints; a new dedicated R&D centre coming up at Navi Mumbai, headed by a global technologist
- Open to inorganic growth, both domestically and internationally
- Future focus strictly on developing economies; may expand in West Asia, where its units are growing at 30-40 per cent annually on the back of oil money
- China market on radar, though no concrete plans yet
- Aggressive forays lined up for industrial segment
- Grooming next line of leadership
- On an expansion spree domestically; biggest state-of-the-art plant at Haryana with a capacity of 150,000 TPA to be operational in next 1-2 years

5,000-strong workforce at the domestic paint major. Moukwa, who has shifted base to India along with his wife, may be the only foreign national working in India at Asian Paints. But at its nearly two dozen foreign subsidiaries and joint ventures, the paints major has some 1,300 employees from as many as 20 foreign nationalities.

At a time when the flavour of the season for India Inc. is to set up outposts in international markets—either organically or via acquisitions—Asian Paints is looking at strategy through a different set of glasses. As Moukwa, who is at the helm of the company's 1 lakh sq. ft state-of-the-art research centre in Navi Mumbai, himself points out: "When there is so much demand locally, why should we look to other markets." Clearly, the belief is that the domestic market, which is growing at 15-20 per cent

Undisputed Leader

Asian Paints is comfortably ahead of the pack.



Figures in per cent for 2006-07

Source: IIF Research

The Quiet Performer

Growth has been steady.



Figures in ₹ crore. Source: IIF Research

DANI'S DECADE

He's been busy since taking over as MD & Vice Chairman in 1997.

▶1998

Restructures business into three units—decorative, industrial and international.

▶1999

Makes first overseas acquisition by buying out Delfmege Forsyth & Co. in Sri Lanka.

▶2000

Opens manufacturing plant in Oman in partnership with a local company, acquires paints business of Pacific Paints Company in Australia.

▶2001

Acquires power coatings business of Howcast Chemicals, the first acquisition in India.

▶2002

Acquires controlling stake in Berger International, Singapore. This is Asian Paints' largest acquisition in the international market as Berger has operations in 11 countries.

Revamps international operations, transfers shares in subsidiaries in Fiji, Tonga, Solomon Islands, Vanuatu, Australia and the Sultanate of Oman to Mauritius-based subsidiary Asian Paints International.

Acquires SCIB Chemicals (now SCIB Paints) in Egypt and sets up a JV in Bangladesh with a local manufacturer

▶2003

Inks a technology and brand licensing agreement with PT Abadi Coatings Solusi, an Indonesian paints company.

Berger International restructures to curtail costs.

Acquires Taubmans Paints (Fiji) through Fiji subsidiary. Also, acquires a 9.2 per cent stake in ICI India.

▶2004

Eats Mauritius and Malta operations.

▶2005

Sets up fifth plant at Srirambudur in Tamil Nadu

▶2006

Commissions facility at Baddi, Himachal Pradesh, to boost powder coating business.

▶2007

Sells entire stake in Australian Asian Paints.

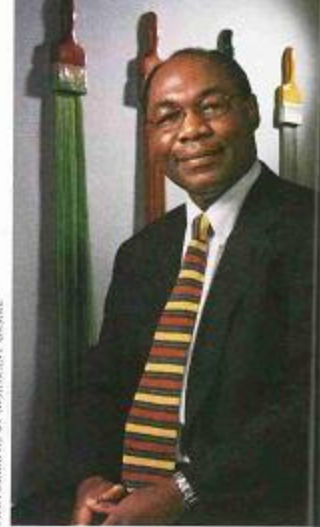
Commissions industrial coating plant in Talaja, Maharashtra.

Announces plant in Haryana for decoratives segment.

annually, is where most of the action lies. And Asian Paints has to gear itself to take on foreign majors like Sherwin Williams of the US, Jotun Paints of Norway and Nippon Paints of Japan, who would be eyeing the domestic pie. One way of doing that is by beefing up on the technology front. "We want to make sure that we don't lag behind in paint technology. That's extremely important for our future growth," stresses Ashwin Suryakant Dani, MD & Vice Chairman, Asian Paints.

Ever since the Choksey family exited Asian Paints in 1997, Dani has been at the helm of the company. The other promoters, the Choksis (not to be confused with the Chokseys who exited) and the Vakils, work in the background—Ashwin Choksi is Chairman, and Abhay Vakil, MD (the three families have equal share of the company's shareholding). But for the past 10 years, it is Dani who's been at the forefront of Asian Paints' aggressive strategy of expanding beyond domestic boundaries. Two years after taking over, Dani announced Asian Paints' first overseas acquisition, in Sri Lanka. An acquisition in Australia followed a year later, and in 2002, the company made its largest international purchase—a controlling stake in Berger International, Singapore, for Rs 57 crore, which opened the door to 11 new countries. Today, the overseas portfolio brings in close to a fifth of Asian Paints' overall revenues. West Asia (Oman, Egypt, Dubai and Bahrain) and South Asia (Sri Lanka, Bangladesh and Nepal) account for almost half of international sales.

Clearly, Dani & Co. chose to venture overseas at a time when few Indian promoters even dreamt of doing so (Aditya Birla would be



PHOTOGRAPH BY NISHIKANT GAHRE

Masanga Masikwa/VP (Technology)

"When there is so much demand locally, why should we look to other markets?"

one of the few businessmen who saw international opportunities before the Danis did). Ironically, when Corporate India did clamber onto the outbound bandwagon, Asian Paints had slipped into consolidation mode and was exiting less viable overseas operations—in 2004, for instance, it moved out of Mauritius and Malta. More recently, it sold its entire stake in Australian Asian Paints (Queensland). More than new acquisition targets and new geographies, the focus is on scaling up the existing foreign outposts. In Egypt, for instance, where Asian Paints operates through SCIB Paints, production has increased four-fold over the past five years. In Oman, Dubai and Bahrain, production has more than doubled over the past 3-4 years. "We will confine ourselves to only developing economies," says the 65-year-old Dani.

Today, however, outbound isn't the buzzword (although I.K. Jaiswal, Regional VP, International, does not rule out "some new operations, especially in West Asia").

Technology and innovation, which can eventually be leveraged at the overseas operations, have been identified as the cornerstone for future competitiveness. To that end, a technology division—an idea mooted by Moukwa—was created as a single-point corporate function six months ago. "Technology breakthroughs have a multiplier effect. We can easily replicate new technologies in paints in as many countries as we want," explains Dani.

For now, though, it's the domestic market that's on Dani's drawing board. There's a simple reason for that: per capita consumption of paint in India is still woefully low at 1.5 kg per person. The corresponding figure in western Europe is 15 kg and 25 kg in the US. Also, the industrial paints segment, which is currently just 30 per cent of the entire paints market, is growing rapidly at over 15 per cent per annum. The decorative segment, which Asian Paints lords over with a 70 per cent share, is growing relatively slower at 10-12 per cent per annum.

With the economic growth in the 9 per cent range, industrial sectors like automotive and white goods offer huge potential. It's precisely for this reason that Asian Paints set up a plant for powder coatings at Baddi, Himachal Pradesh, in May 2006 with a capacity of 1,400

kilolitres (kl). Another unit of 14,000 kl, exclusively for industrial coatings, has been commissioned at Taloja in Maharashtra. Indeed, Asian Paints has succeeded in earning its spurs in the industrial segment. Seven years ago, it was languishing at #7. Today, it is a strong #2 to Kansai Nerolac. Asian Paints claims to be growing faster than Kansai Nerolac for five years now in industrial coatings, and the gap between the leader and the #2 player has narrowed significantly (today, there's negligible difference between the two as against a 40-50 per cent gap five years ago).

The traditional decorative segment, in which Asian Paints has enjoyed market leadership for almost 40 years, isn't being ignored. The company is setting up its largest ever factory, spread over 130 acres and with a capacity of 1.5 lakh tonnes per annum (TPA) in the first phase. This unit will produce both solvent and water-based paints. The company has ramped up capacity at its emulsions plant at Sriperumbudur, Chennai, from 30,000 kl to 50,000 kl in the current year. There are also plans to expand capacity at a plant in Ankleshwar (in Gujarat) from 80,000 kl to 100,000 kl. "Housing will bring in the major business in the next 10 years as construction activity is in full swing," says Dani, who refused to part with investment



I.K. Jaiswal/ Regional VP (International)

Despite the focus on India, Jaiswal does not rule out "new operations in West Asia"

outlays for these expansions.

Dani has a vision of propelling Asian Paints into the top 5 decorative paints players in the world (currently it lies in within the top 10 position). And plenty of that hinges on consolidation—not just globally, but in the Indian market. "I expect some consolidation in the Indian market. We are always on the lookout for good opportunities but at the right valuations," explains Dani.

Another challenge keeping Dani busy these days is that of succession. His 37-year-old son Jalaj is currently President (International). From the other promoter families, there's Manish Choksi, 38, son of Ashwin Choksi, who is Chief (Corporate Strategy) & CIO. Who has a better shot at the top slot? Dani isn't revealing his cards just yet. "We will take a decision at an appropriate time," he says. "I am still young in mind." ■

A Changing Business Mix

The share of international business and the industrial paints segment have increased in the past decade, even as the chemicals' portfolio has shrunk.

