

CMP- ₹2,818

**Asian Paints Ltd
Re-iterate HOLD**

Re-iterate TP- ₹2,957

Market Data

Bloomberg Code	APNT IN
Reuters Code	ASPN.BO
SENSEX	16751
NIFTY	5046
Dividend Yield (%)	1.2
52 Week High/ Low(₹)	3387/2364
Equity Capital(₹mn)	959
Face Value (₹)	10
Market Cap (₹mn)	273700
Avg. 10 day Vol. NSE	48928

Source: Ace Equity, R K Global Research, as on 23rd Jan'12

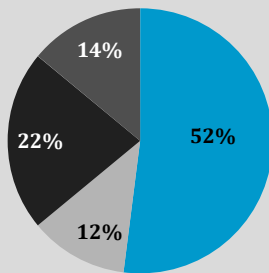
Key Market Ratios

TTM Latest EPS (₹)	81
TTM Book Value (₹)	206
TTM PE (x)	21.2
TTM P/BV (x)	512.2
TTM EV/EBIDTA (x)	19.6
EV/TTM Sales (x)	3.8
Mcap/TTM Sales (x)	3.8

Source: Ace Equity, R K Global Research, as on 31st Dec'11

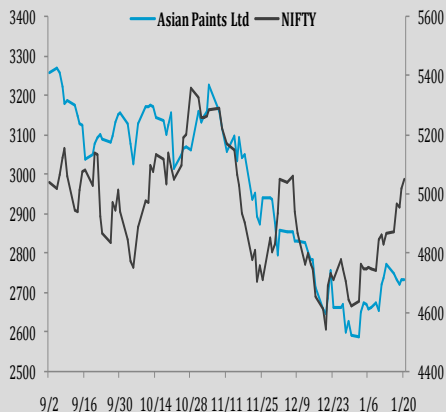
Share-Holding Pattern (%)

■ Promoters ■ FIIs ■ Public ■ DIIs & Others



Source: Ace Equity, R K Global Research, as on 31st Dec'11

Price v/s NIFTY



Source: Ace NSE, R K Global Research, as on 20th Jan'12

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Asian Paints has clocked a modest growth of ~20% YoY for Q3FY'12 (lower than our ~31% estimated growth rate) jump in the standalone Net Revenue at ₹21,095 mn and ~21% increase in the Net Profit at ₹2,505 mn. But saw a fall in the operating margins by ~169 bps mainly on the back of spike in the raw materials cost fueled by depreciating INR; profits would have been much higher & closer to our estimation

The company witnessed growth on the back of volume growth in the months passing will remain strong, especially in the rural regions where income has increased in accordance with developmental plans like, MGNREGA. Though, the revenue growth hasn't been exemplary but the company has witnessed good demand for decorative coating business across the country. However, inflation and falling INR has affected the material prices thus impacting margins. Industrial business including auto continued to face challenging conditions. Political events and macro economic uncertainty in some countries continued to affect international performance though South Asia has done well for the company in this Q.

EBIDTA grew by a modest ~8.3%, Margins at ~15.5%, down by ~169 bps over spike in imported raw materials prices

Alongside the modest EBIDTA growth, margins were under pressure and slipped ~169 bps YoY to 15.5% mainly on the back of spike in raw material cost. The raw material cost as percentage of revenue net of stock adjustments jumped up ~360 bps to ~59.8% in Q3FY'12. Thus Operating Profit was saw stagnancy at ₹3,267 mn. The other income moved up ~18.8% to ₹255 mn and led PBDIT up ~20.4% to ₹3,882 mn. However, we don't expect margins to bottom out more in the coming Qs as inflation & INR, both are stabilizing.

Valuation & Outlook: Near-term upsides unlikely, prefer on hiatus

As we see, inflation has moderated to the lowest levels in 2Yrs & the benchmark wholesale-price index rose ~7.47%, citing belief that there are rooms for stock upside. At CMP, the stock trades at a P/E & P/BVPS of ~21.5x and ~7.6x respectively of FY'13E EPS & BVPS. We would still, wait to see the baloney effect of the economic/spending growth on discretion paints. Thereby, stays re-iterate the **HOLD** rating, re-affirming on the earlier TP of ₹2,957 (upside potential of ~5.0% from current levels), factored over a P/E of ~22.5x & P/BVPS of ~8.0, using FY'13E EPS of ₹131 & BVPS of ₹371.

Desc. (₹ mn)	Q3FY'12E	Q3FY'12A	Q3FY'11A	YoY (%)	Q2FY'12A	QoQ (%)
Revenue	23,034	21,095	17,542	20.2	18,436	14
Expenditures	18,870	17,467	14,526	20.2	15,610	12
EBIDTA	4,164	3,267	3,016	8.3	2,826	16
Other Income	377	255	207	18.8	493	(48)
PBDIT	4,541	3,882	3,223	20.4	3,319	17
Depreciation	258	248	236	5.0	250	(1)
Interests	42	62	41	51.2	66	(6)
PBT	4,241	3,572	2,946	21.2	3,003	19
Tax	1,298	1,067	883	20.8	874	22
PAT	2,943	2,505	2,063	21.4	2,129	18
Basic EPS (₹)	31	26	22	21.4	22	18
Dil. EPS (₹)	31	26	22	21.4	22	18

Source: Company, R K Global Research Estimates
Financials: Standalone Figures, Period ended 31st Dec'2012/US\$/INR=₹51
**Computed over CMP of ₹2,818, as on 23rd January'2012

Asian Paints, Financials (standalone): Reported & Forecasted

INCOME STATEMENT (₹ mn)				
Descriptions	FY'10	FY'11	FY'12E	FY'13E
Revenue	51,251	63,222	79,070	1,02,236
Expenditure	41,099	51,769	65,432	84,387
EBIDTA (Excl OI)	10,152	11,453	13,638	17,849
Other Income	1,439	884	1,390	1,747
Operating Profit	11,591	12,337	15,028	19,596
Interests	191	163	168	171
Depreciation	607	945	1,008	1,352
PBT	10,792	11,228	13,853	18,073
Tax	3,302	3,477	4,151	5,518
Profit After Tax	7,490	7,752	9,702	12,555

KEY FINANCIAL RATIOS				
Description	FY'10	FY'11	FY'12E	FY'13E
Per Share (₹)				
Adjusted EPS	81	80.8	101	131
CEPS	87	91	112	145
DPS	23	29	32	38
Book value	162	206	277	371
Revenue/Share	534	659	825	1066

Margin Ratios (%)				
PBIDTM	20	18	17	17
EBIDTM	22	19	19	19
Pre-Tax Margin	21	18	18	18
PATM	15	12	12	12
CPM	21	18	18	18

Performance Ratios (%)				
ROA	48	38	35	34
ROE	50	39	37	36
ROCE	247	195	55	54
Sales/FA	4.3	3.9	4.0	4.0

Growth & Efficiency Ratios (%)				
Revenue Growth	20	23	25	29
EBIDTA Growth	80	13	19	31
EBIT Growth	85	6	22	30
PAT Growth	114	0.1	25	29
EPS Growth	53	0.1	20	23

Turnover Ratio (x)				
Asset Turnover	3.15	3.10	2.86	2.80
Inventory Turnover	6.72	5.90	6.62	6.69
Debtors Turnover	15.46	17.24	14.61	14.89

Liquidity Ratios (x)				
Debt/Equity	0.04	0.03	0.03	0.02
Current Ratio	1.01	0.91	0.93	0.80
Quick Ratio	0.70	0.69	1.28	1.14
Acid-Test Ratio	0.36	0.40	0.19	0.47

Relative Valuation Parameters (x)				
P/E**	25.3	31.7	26.9	22.8
P/BVPS***	12.5	12.2	9.8	8.0
EV/EBIDTA	16.9	19.6	19	18
EV/Sales	3.8	3.8	3.6	3.9
Mcap/Sales	3.8	3.8	3.7	3.9

BALANCE SHEET (₹ mn)				
Descriptions	FY'10	FY'11	FY'12E	FY'13E
Sources Of Funds				
Share Capital	959	959	959	959
Total Reserves	14,613	18,794	25,389	34,301
Shareholder's Funds	15,572	19,753	26,348	35,260
Total Debt	686	649	757	709
Total Liabilities	16,258	20,402	27,104	35,968
Application Of Funds				
Gross Block	11,944	16,112	19,753	25,541
Less: Acc. Dep.	4,737	5,438	6,445	7,797
Net Block	7,207	10,674	13,308	17,744
CWIP	3,807	397	410	426
Cash At Bank	286	205	2,810	23,769
Investments	7,037	10,348	4,347	9,829
Total CA	28,020	35,354	47,458	81,498
Total CL	29,202	35,513	36,945	71,741
Net CA	(1,182)	(159)	10,513	9,757
Def. Tax/Liab.	(479)	(755)	(944)	(1,221)
Total Assets	16,258	20,402	27,104	35,968

CASH FLOW STATEMENT (₹ mn)				
Descriptions	FY'10	FY'11	FY'12E	FY'13E
Cash Flow From Operating Activities				
EBDIT	11,591	12,337	15,028	19,596
Changes in CA	(5,185)	(7,415)	(9,499)	(13,081)
Changes in CL	8,073	6,311	1,432	34,796
Changes In WC	2,889	(11,04)	(8,067)	21,715
Cash: Operations	14,479	11,233	6,961	41,311
Taxes Paid	3,302	3,477	4,151	5,518
Net Cash	11,178	7,756	2,810	35,793
Cash Flow From Investment Activities				
CAPEX	(3,693)	(758)	(3,655)	(5,803)
Investments	(36,310)	(36,309)	6,000	(5,482)
Net Cash	(83,82)	(4,069)	2,346	(11,285)
Cash Flow From Financing Activities				
Dividends Paid	(2,208)	(2,755)	(3,107)	(3,643)
Others	(1,588)	(1,089)	Nil	Nil
DTL & Misc. Expen.	(0)	276	189	277
Cash: Financing	(3,792)	(3,769)	(2,550)	(3,549)
Cash & Equivalent	(997)	(81)	2,605	20,959
Opening Balance	1,283	286	205	2,810
Increase In Cash	(997)	(81)	2,605	20,959
End Balance	286	205	2,810	23,769

DuPont Analysis: ROE Decomposition				
Descriptions	FY'10	FY'11	FY'12E	FY'13E
Tax Efficiency	0.68	0.64	0.65	0.65
Interest Burden	1.24	0.67	0.79	0.84
OPM	0.12	0.18	0.16	0.15
Asset Turnover	3.15	3.10	2.86	2.80
Financial Leverage	1.04	1.03	1.05	1.04

Source: Company, R K Global Research Estimates
 Financials: Standalone Figures, Period ended 31st Dec'201
 P/E & P/BVPS*, Computed over FY'13E EPS & BVPS Respectively

For Suggestions, clarifications & your valuable feedback write back to us at:

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Rating Criteria

BUY Stock to generate return above 15% from CMP over the next 12 months period
HOLD Stock to generate return between 0-15% from CMP over the next 12 months period
SELL Stock to generate less than 0% from CMP over the next 12 months period

Coverage Terminology

IC = Initiating Coverage
 RU = Result Update
 EU = Event Update
 NC = Not Covered

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