

March 18, 2013

**ASIAN PAINTS LTD.**

BSE Code: 500820

NSE Code: ASIANPAINT

Reuters Code:

ASPN.BO

Bloomberg Code: APNT:IN

Asian Paints, India's largest and Asia's third largest paint company, with a turnover of ₹96.32 billion. Asian Paints operates in 17 countries and has 24 paint manufacturing facilities in the world servicing consumers in over 65 countries. The Company has always been a leader in the paint industry, pushing new concepts in India like Colour Worlds, Home Solutions, Colour Next, and Kids' World. Asian Paints has commenced a new paint plant at MIDC, Khandala Industrial Area, Taluka Khandala, Satara, in the State of Maharashtra. The plant has been established with an initial installed capacity of 3,00,000 KL per annum with state-of-the-art facility.

## Investor's Rationale

**Revenue surged 18.9% YoY in Q3FY'13** - Consolidated proceeds surged by 18.9% YoY at ₹30.53 bn in Q3FY'13 backed by robust native demand and higher realizations. Subsidiaries income grew 13% YoY as business in Middle East and Asia continued to outpace other international subsidiaries. Industrial business wedged owing to deprived demand from OEM segment and projects business. Consolidated EBITDA margin expanded 80 bps YoY to 16.3% led by weakening of raw material cost (titanium – dioxide (TiO<sub>2</sub>) prices fell by more than 20% from the peak in Jan - Feb 2012). Other income went up 93% to ₹0.47 bn while tax rate declined 40bps YoY to 29.5%. The jump in other income is largely due to higher dividend income from subsidiaries. Consolidated PAT grew 30.5% YoY to ₹3.35 bn.

**Standalone business continue to remain lucrative** – The company's standalone business posted impressive growth, with revenue surged over 20% to ₹25.24 bn as compared with a year ago figures, backed by sturdy domestic decorative paint volume growth of 12-13% (against the estimate of 8-9%) largely due to festive season. EBITDA margin expanded 50bps YoY to 17.4%. Standalone PAT jumped by 24.6% YoY to ₹3.12 bn as other income increased by 48%. But subsidiary business grew a mere 13% YoY (vis-à-vis 45% YoY growth in Q1FY'13). Industrial business continued to remain weak due to slowing Auto demand and weak pickup in private capex.

**Enhancing its asset base** - Asian Paints Ltd has added another 300,00 KL p.a capacity to its base by beginning commercial production from its new paint plant at Satara, Maharashtra with state-of-the-art facility which would be adequate to cater to the higher demand. Further, the capacity can be scaled upto 400,000 KL p.a.

### Market Data

|                              |              |
|------------------------------|--------------|
| CMP (₹)                      | 5,013        |
| Target Price                 | <b>5,514</b> |
| Stop Loss                    | 4,730        |
| Duration                     | Short-term   |
| <hr/>                        |              |
| 52-week High-Low (₹)         | 5030/3004    |
| Rise from 52WL (%)           | 66.9         |
| Correction from 52WH (%)     | (0.3)        |
| Beta                         | 0.9          |
| 1 year Average Volume ('000) | 79           |
|                              | 3M- 17.0     |
| Stock Return (%)             | 6M- 28.9     |
|                              | 1Y- 56.2     |
| Market Cap (₹bn)             | 481          |
| Book Value (₹)               | 259          |

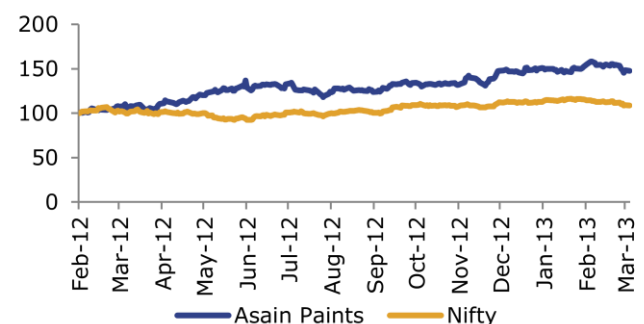
### Shareholding Pattern

|               | Dec'12 | Sep'12 | Chg    |
|---------------|--------|--------|--------|
| Promoters (%) | 52.79  | 52.79  | -      |
| FII (%)       | 18.64  | 18.07  | 0.57   |
| DII (%)       | 8.55   | 8.84   | (0.29) |

### Quarterly Performance (Consolidated)

| (₹bn)      | Q3 FY'13 | Q3 FY'12 | Q2 FY'13 | YoY Change(%) | QoQ Change(%) |
|------------|----------|----------|----------|---------------|---------------|
| Revenue    | 30.5     | 25.7     | 26.4     | 18.9          | 15.8          |
| Op. exp    | 5.1      | 4.0      | 3.8      | 27.0          | 33.7          |
| EBITDA     | 4.7      | 3.7      | 3.5      | 27.6          | 37.0          |
| OPM (%)    | 16.3     | 15.5     | 14.5     | 80bps         | 180bps        |
| Net profit | 3.4      | 2.6      | 2.4      | 30.5          | 40.2          |
| NPM (%)    | 11.0     | 10.0     | 9.1      | 97bps         | 191bps        |
| EPS (₹)    | 34.9     | 26.8     | 24.9     | 30.2          | 40.2          |

### One Year Price Chart





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