

Paints

Steady recovery in volume growth

Reason for report: Q4FY17 results preview

Our recent channel checks across regions indicated that the decorative paint segment witnessed high single-digit growth in all regions, except South. Growth in South was impacted by political disturbances in Tamil Nadu and ban on registration of plots and houses in unapproved housing layouts by Madras High Court. We expect the South market to register a low single-digit YoY growth in Q4FY17. On the other hand, though North was the most affected by demonetisation, it has witnessed significant improvement. Also, we expect good pick-up in growth in East and West post demonetisation.

Overall, for Q4FY17, we expect companies under our coverage to post *high single-digit volume growth*. Although slightly lower than the double-digit growth posted in quarters before demonetisation, there is continued recovery in volumes post demonetisation. Liquidity has significantly improved and cash transactions have bounced back, comprising majority of the sales. Industry leader Asian Paints is likely to post volume growth of 6-7% YoY as growth in South was slightly impacted. We expect other paint companies to post high single-digit (8-9%) volume growth, except Akzo with 4-5% growth. As all paint companies announced a price hike of ~3% at Feb'17-end, we expect volume and value growth to be largely similar.

Margins are expected to decline in Q4FY17 as crude oil prices have steadily increased, stabilising at around ~US\$50/bbl. Crude oil prices hit the lowest in Q3FY16 (in the range of US\$30-40/bbl) leading to high margins in the base quarter for all paint companies.

Titanium dioxide (TiO₂) prices in China hit a 4-year high in Mar'17 as Chinese producers hiked prices due to supply disruptions and higher demand. *While TiO₂ price in China was up 50% YoY in Q4FY17, prices in India are up 13% YoY.*

Gross margins are expected to reduce by 175-250bps for Asian Paints, Berger and Akzo Nobel while their EBITDA margins will likely fall by 125-150bps. However, the impact on margins will be partially offset by the recent price hikes of ~3% taken in Feb'17-end. Paint companies are also looking at a consecutive price hike in Q1FY18. We expect improvement in profitability going forward given the planned price hikes and benefits flowing from GST implementation.

- **Expect volume growth in high single-digit in Q4FY17:** We expect high single-digit volume growth in the decorative segment for paint companies in Q4FY17 as volumes recover post demonetisation. Industry leader Asian Paints is likely to post volume growth of 6-7% YoY as growth in South was impacted by political disturbances in Tamil Nadu and ban on registration of plots and houses in unapproved housing layouts by Madras High Court. We expect other paint companies to post high single digit (8-9%) volume growth, except Akzo with 4-5% growth. As all paint companies announced a price hike of ~3% in Feb'17-end, we expect volume and value growth to be largely similar. Note that paint companies had reduced prices by 2-3% in Mar'16, leading to a lower growth in value terms before the price hikes taken in Feb'17-end.

Quarterly estimates

Company (Rs mn)	Sales			EBITDA			PAT		
	JFM'17	% Chg		JFM'17	% Chg		JFM'17	% Chg	
		YoY	QoQ		YoY	QoQ		YoY	QoQ
Asian Paints (cons)	43,240	6.6	(0.7)	6,988	0.2	(10.0)	4,271	2.3	(8.4)
Berger (cons)	12,248	7.5	(5.5)	1,542	(1.1)	(16.0)	918	(1.4)	(15.8)
Kansai	9,504	9.0	(5.8)	1,449	7.5	(20.2)	985	17.2	(20.5)
Akzo	6,905	4.5	(15.1)	776	(6.8)	(25.4)	480	(10.1)	(29.9)
Pidilite (cons)	12,951	5.0	(9.5)	2,137	(7.5)	(24.9)	1,456	(6.7)	(29.5)

JFM'17: Jan-Mar'17; Source: Company data, I-Sec research

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- **Decline in operating margins with increase in raw material cost...** Crude oil prices hit their lowest in Q3FY16 (in the range of US\$30-40/bbl) leading to high margins in the base quarter for all paint companies, as crude and crude derivatives form a major raw material component. However, average crude oil price was up 55% YoY in Q3FY17 at US\$52.0/bbl vs. the Q3FY16 average price of US\$33.6/bbl. As crude oil prices have steadily increased, stabilising at around ~US\$50/bbl, we expect margins to decline in Q4FY17. Titanium dioxide (TiO₂) prices in China hit a 4-year high in Mar'17 when it crossed 17,623 yuan / MT, a price level last seen in Dec'12. Chinese producers hiked titanium dioxide prices at the end of 2016 due to supply disruptions and higher demand. While TiO₂ price in China was up 50% YoY in Q4FY17, prices in India are up 13% YoY.
- **..offset by price hikes:** However, the impact on margins in Q4FY17 will be partially offset by the price hikes of ~3% taken in Feb'17-end. We expect Asian Paints to report gross margin decline of 175bps YoY and EBITDA margin decline of 113bps YoY. Paint companies are also looking at a consecutive price hike in Q1FY18. While Asian Paints announced a price hike of ~2.5% w.e.f. 1st May 2017, we expect other paint companies to follow suit with similar price hikes. Our interactions with paint dealers suggest that the second price increase is serve as a cushion ahead of GST implementation, in case a price cut is required depending on the rate structure finalised for GST. With the planned price hike and benefits from GST implementation, we expect improvement in profitability in FY18.
- **Steady recovery post demonetisation:** Overall, we expect a steady recovery in volumes post impact of demonetisation in the past few months. We noted from our recent interactions with paint dealers that liquidity has significantly improved and cash transactions have bounced back, comprising majority of the sales. On the other hand, swipe transactions have seen a sharp fall in Q4FY17 as consumers/dealers are unwilling to bear the additional 2% fee for it.

Table 1: Valuation summary

	CMP (Rs)	Rating	EPS (Rs)			PER (x)			EV/EBITDA (x)		
			FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E
Asian Paints (cons)	1,083	Hold	20.1	22.9	27.0	53.8	47.4	40.1	34.6	30.5	25.8
Berger (cons)	238	Hold	4.4	5.2	6.2	54.2	45.6	38.4	31.8	27.9	24.3
Kansai	389	Buy	9.0	10.1	12.2	43.2	38.4	31.8	28.9	25.6	21.2
Akzo	1,870	Add	49.6	53.6	62.6	37.7	34.9	29.9	23.9	22.2	19.0
Pidilite (cons)	708	Add	16.4	18.4	21.4	43.3	38.5	33.2	28.7	26.3	22.5

Source: Company data, I-Sec research

Note: We are not changing any reco, target and estimates in this report. We will review each stock individually after the quarterly results.

Table 2: Sales trend comparison

(Rs mn)	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17E
Asian Paints (cons)	35,350	37,030	38,397	42,452	40,576	40,821	42,325	43,540	43,240
Berger (cons)	10,404	11,263	11,797	12,346	11,392	12,461	12,714	12,966	12,248
Kansai	8,078	9,753	9,484	9,429	8,720	10,471	10,021	10,085	9,504
Akzo	5,922	7,142	7,113	7,981	6,605	7,792	7,607	8,130	6,905
Pidilite (cons)*	10,374	15,501	13,955	13,323	12,335	16,838	15,220	14,309	12,951

*For Pidilite, Q4FY16 are non Ind-AS figures; Source: Company data, I-Sec research

Table 3: Sales growth trend comparison

(%YoY)	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17E
Asian Paints (cons)	6.9	6.9	4.0	13.9	12.3	10.2	10.2	2.6	6.6
Berger (cons)	7.7	7.7	5.7	8.8	8.6	10.6	7.8	5.0	7.5
Kansai	8.2	8.2	5.2	9.1	10.3	7.4	5.7	7.0	9.0
Akzo	-3.2	-3.2	8.2	8.9	14.4	9.1	6.9	1.9	4.5
Pidilite (cons)*	5.3	5.3	5.2	11.4	18.9	8.6	9.1	0.7	5.0

*For Pidilite, Q4FY16 are non Ind-AS figures; Source: Company data, I-Sec research

Table 4: Gross margin trend comparison

(%)	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17E
Asian Paints (cons)	45.1	42.8	42.8	43.4	45.4	47.2	44.5	44.0	43.6
Berger (cons)	43.0	39.1	40.5	42.4	43.8	44.4	43.9	41.8	41.6
Kansai	33.9	34.9	36.9	37.5	39.7	40.1	42.7	41.5	38.5
Akzo	47.1	44.3	43.1	43.1	46.0	44.3	45.2	43.2	43.5
Pidilite (cons)*	46.4	51.7	54.5	51.4	55.0	55.6	56.7	56.3	49.0

*For Pidilite, Q4FY16 are non Ind-AS figures; Source: Company data, I-Sec research

Table 5: EBITDA margin trend comparison

(%)	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17E
Asian Paints (cons)	15.8	20.4	17.7	20.5	19.0	22.6	18.9	19.7	17.9
Berger (cons)	11.6	14.3	14.3	17.2	15.2	17.4	15.6	15.6	13.9
Kansai	12.3	15.5	16.4	14.7	15.5	17.8	19.8	18.0	15.3
Akzo	10.4	11.4	8.9	11.9	12.6	13.9	10.1	14.2	11.2
Pidilite (cons)*	12.3	21.6	21.0	21.7	20.2	23.0	20.7	19.9	16.5

*For Pidilite, Q4FY16 are non Ind-AS figures; Source: Company data, I-Sec research

Table 6: Raw material price trend comparison

(Rs mn)	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17E
Crude Oil (US\$/bbl)	48.9	57.9	46.9	42.3	33.6	45.6	45.0	49.3	52.0
% YoY	-50.4	-43.8	-51.9	-42.3	-31.2	-21.2	-3.9	16.4	54.5
Crude Oil (Rs/bbl)	3,044	3,671	3,041	2,786	2,268	3,050	3,015	3,321	3,480
% YoY	-50.0	-40.4	-48.5	-38.6	-25.5	-16.9	-0.8	19.2	53.4
TiO2 (Rs/kg)	218.90	213.77	215.55	214.19	208.39	214.80	218.70	222.22	235.61
% YoY	-12.6	-14.5	-10.0	-7.5	-4.8	0.5	1.5	3.7	13.1

Source: Company data, I-Sec research

Table 7: PAT trend comparison

(Rs mn)	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17E
Asian Paints (cons)	3,434	4,537	4,037	5,215	4,174	5,351	4,759	4,662	4,271
Berger (cons)	581	778	893	1,114	932	1,203	1,123	1,091	918
Kansai	604	952	983	861	840	1,265	1,393	1,240	985
Akzo	446	468	351	610	534	643	416	686	480
Pidilite (cons)*	853	2,326	2,040	1,864	1,561	2,703	2,318	2,067	1,456

*For Pidilite, Q4FY16 are non Ind-AS figures; Source: Company data, I-Sec research

Table 8: PAT growth trend comparison

(%YoY)	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17E
Asian Paints (cons)	15.5	25.1	14.9	40.1	19.0	17.9	17.9	-10.6	2.3
Berger (cons)	5.0	34.5	32.7	34.8	59.7	54.5	25.7	-2.0	-1.4
Kansai	34.5	28.8	33.0	28.6	33.2	32.9	41.8	44.0	17.2
Akzo	-18.3	-13.7	14.6	5.2	17.8	37.5	18.5	12.5	-10.1
Pidilite (cons)*	10.9	30.0	38.9	48.2	82.9	16.2	13.6	4.0	-6.7

*For Pidilite, Q4FY16 are non Ind-AS figures; Source: Company data, I-Sec research

Table 9: I-Sec vs. consensus Q4FY17 estimates

	Sales			EBITDA			PAT		
	I-Sec	Consensus	% Diff.	I-Sec	Consensus	% Diff.	I-Sec	Consensus	% Diff.
Asian Paints (cons)	43,240	42,272	2.3	6,988	7,308	-4.4	4,271	4,622	-7.6
Berger (cons)	12,248	11,838	3.5	1,542	1,597	-3.4	918	938	-2.1
Kansai	9,504	10,058	-5.5	1,449	1,416	2.4	985	1,106	-10.9
Akzo	6,905	NA	NA	776	NA	NA	480	NA	NA
Pidilite (cons)	12,951	13,320	-2.8	2,137	2,522	-15.3	1,456	1,375	5.9

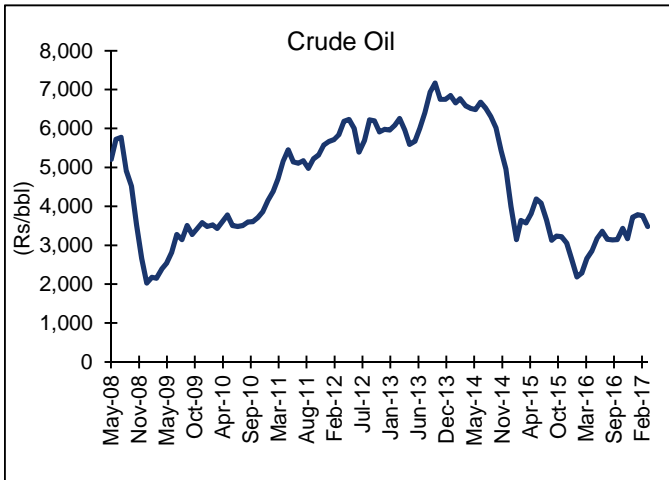
Source: Bloomberg, I-Sec research

Table 10: Raw material prices

Raw Material	Q4FY17 change (%YoY)	Q4FY17 change (%QoQ)
Titanium Oxide	13.1	6.0
Crude Oil (INR)	53.4	4.8
Crude Oil (USD)	54.5	5.5
Vinyl Acetate Monomer	(16.9)	0.3
Turpentine Oil	(3.8)	1.4
Polyacetals & Epoxy	(0.1)	1.9
PVC Plastic	27.2	7.8
Tin	27.9	(4.8)

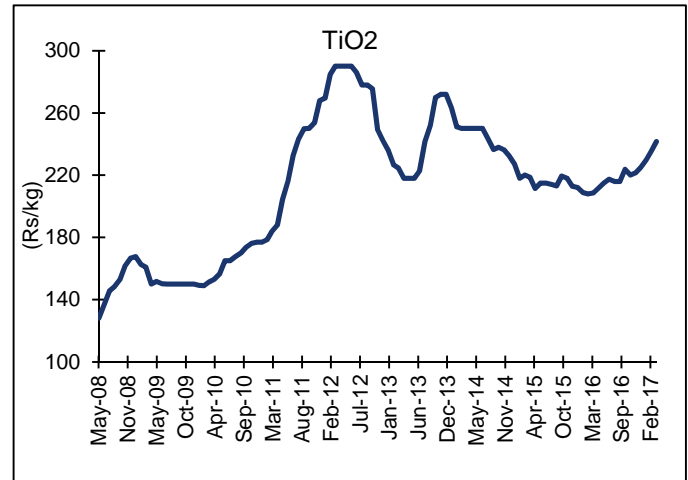
Source: Bloomberg, I-Sec research

Chart 1: Crude oil price movement



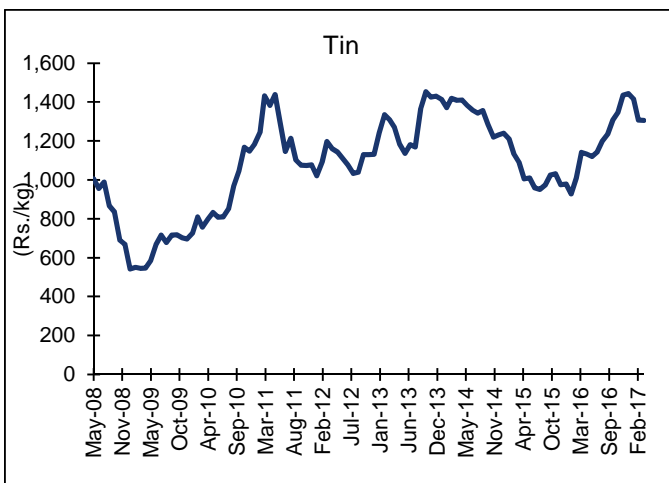
Source: Bloomberg, I-Sec research

Chart 2: Titanium dioxide price movement



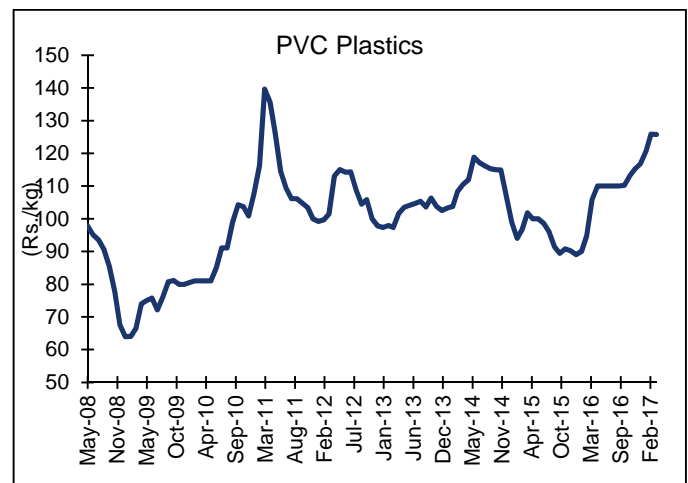
Source: Bloomberg, I-Sec research

Chart 3: Tin price movement



Source: Bloomberg, I-Sec research

Chart 4: PVC plastics price movement

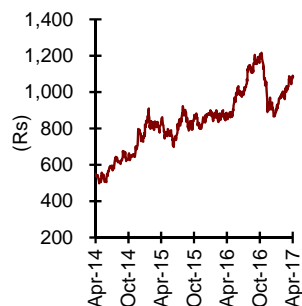


Source: Bloomberg, I-Sec research

Asian Paints (HOLD)

(QoQ chg: -19.0%; YTD chg: 21.5%)

Price chart



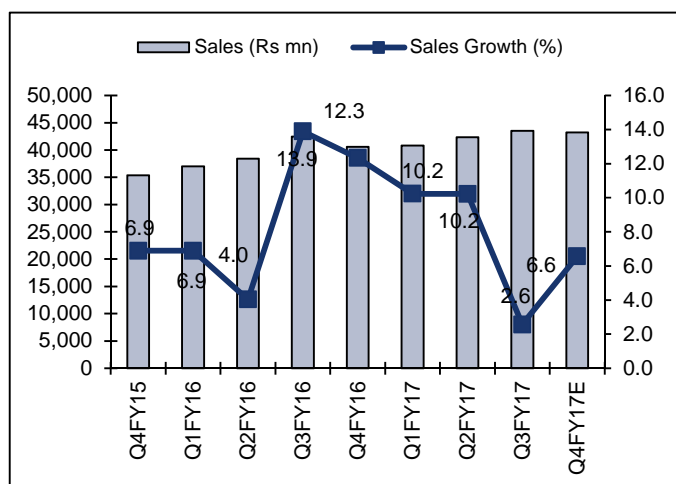
Financial Highlights

Consolidated (Rs mn)	Q4FY17E	Q4FY16	% YoY	Q3FY17	% QoQ
Net revenues	43,240	40,576	6.6	43,540	(0.7)
Raw materials	22,053	20,055	10.0	22,045	0.0
% of sales	56.4	54.6	175 bps	56.0	41 bps
Excise duty	4,142	3,878	6.8	4,170	(0.7)
% of sales	9.7	9.7	3 bps	9.7	2 bps
Employee costs	2,897	2,683	8.0	2,643	9.6
% of sales	7.4	7.3	10 bps	6.7	70 bps
Other expenditure	7,161	6,987	2.5	6,918	3.5
% of sales	18.3	19.0	-72 bps	17.6	74 bps
Total expenditure	36,253	33,602	7.9	35,777	1.3
EBITDA	6,988	6,974	0.2	7,763	(10.0)
EBITDA margin (%)	17.9	19.0	-113 bps	19.7	-185 bps
Other income	559	466	20.0	415	34.9
PBDIT	7,547	7,440	1.4	8,178	(7.7)
Depreciation	779	721	8.0	855	(8.9)
PBIT	6,767	6,719	0.7	7,323	(7.6)
Interest	134	149	(10.0)	92	46.0
PBT	6,634	6,570	1.0	7,231	(8.3)
Tax	2,123	2,279	(6.8)	2,465	(13.9)
% of PBT	32	35	(7.7)	34	(6.1)
PAT before associates & MI	4,511	4,291	5.1	4,766	(5.4)
Share of profit from associates	-	49	(100.0)	127	(100.0)
Minority interest	240	166	45.0	231	4.0
Extraordinary	-	(623)	(100.0)	-	-
Reported PAT	4,271	3,551	20.3	4,662	(8.4)
Adjusted PAT	4,271	4,174	2.3	4,662	(8.4)
EPS (Rs)	4.5	4.4	2.3	4.9	(8.4)

Source: Company data, I-Sec research

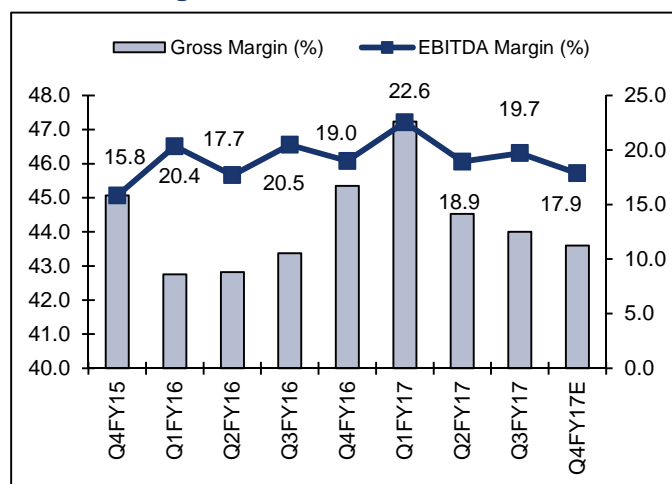
- We expect topline to grow by 6.6% driven by volume growth of 6-7%.
- EBITDA margin is expected to go down by 113bps YoY driven by gross margin contraction of 175bps YoY due to raw material price increase.
- Adjusted PAT is expected to increase by 2.3%YoY driven by sales growth, partially offset by margin contraction.

Chart 5: Sales trend



Source: Company data, I-Sec research

Chart 6: Margins trend

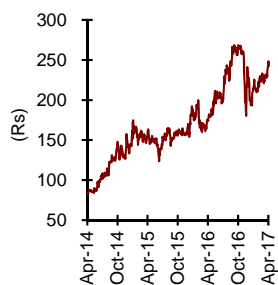


Source: Company data, I-Sec research

Berger Paints (HOLD)

(QoQ chg: 5.4%; YTD chg: 12.9%)

Price chart



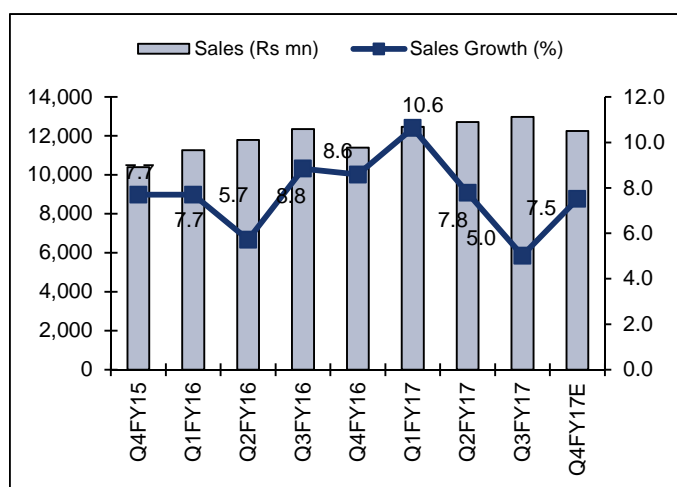
Financial Highlights

Consolidated (Rs mn)	Q4FY17E	Q4FY16	% YoY	Q3FY17	% QoQ
Net revenues	12,248	11,392	7.5	12,966	(5.5)
Raw materials	6,467	5,753	12.4	6,838	(5.4)
% of sales	58	56	223 bps	58	16 bps
Employee costs	755	686	10.0	798	(5.3)
% of sales	6.8	6.7	12 bps	6.8	3 bps
Other expenditure	3,484	3,393	2.7	3,494	(0.3)
% of sales	21	22	-104 bps	19	152 bps
Total expenditure	10,705	9,832	8.9	11,130	(3.8)
EBITDA	1,542	1,560	(1.1)	1,836	(16.0)
EBITDA margin (%)	13.9	15.2	-131 bps	15.6	-171 bps
Other income	126	115	10.0	81	55.1
PBDIT	1,668	1,675	(0.4)	1,917	(13.0)
Depreciation	275	244	12.7	272	1.2
PBIT	1,393	1,431	(2.6)	1,645	(15.3)
Interest	60	46	29.9	44	36.4
PBT	1,333	1,385	(3.7)	1,601	(16.7)
Tax	440	470	(6.3)	524	(16.0)
% of PBT	33	34	-91 bps	33	29 bps
Extraordinary	-	-	-	-	-
PAT before associates & MI	893	915	(2.4)	1,078	(17.1)
Share in associates	25	17	50.6	14	82.5
Reported PAT	918	932	(1.4)	1,091	(15.8)
Adjusted PAT	918	932	(1.4)	1,091	(15.8)
EPS (Rs)	0.9	1.0	(1.4)	1.1	(15.8)

Source: Company data, I-Sec research

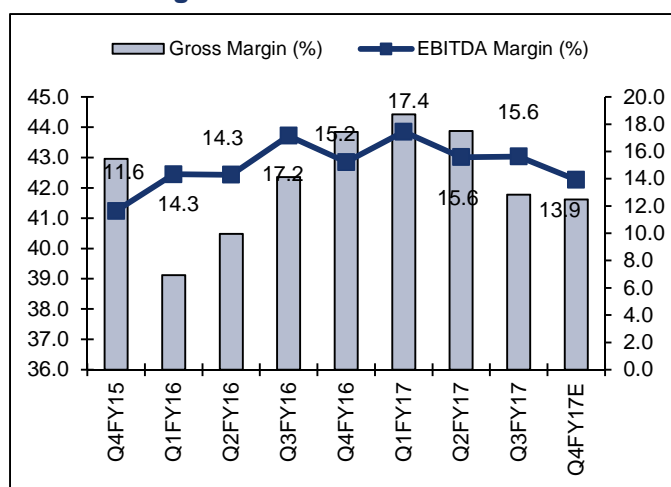
- We expect the topline to grow by 7.5% YoY driven by high single-digit (~8%) volume growth.
- EBITDA margin is expected to be down 131bps YoY driven by gross margin contraction of 223bps YoY due to raw material price increase.
- PAT after minority interest is likely to be down slightly by 1% YoY primarily due to margin contraction.

Chart 7: Sales trend



Source: Company data, I-Sec research

Chart 8: Margins trend

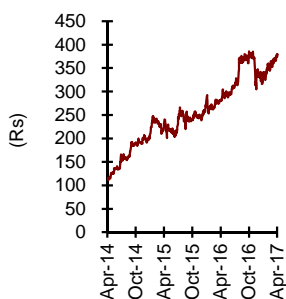


Kansai Nerolac (BUY)

(QoQ chg: 15.7%; YTD chg: 21.9%)

Financial Highlights

Price chart

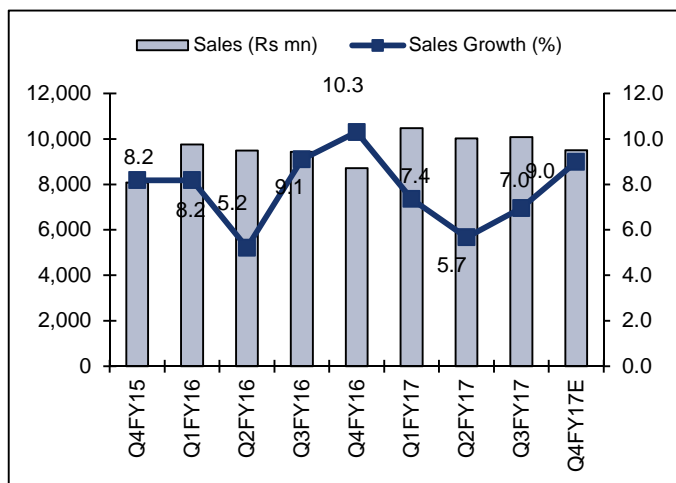


Standalone (Rs mn)	Q4FY17E	Q4FY16	% YoY	Q3FY17	% QoQ
Net revenues	9,504	8,720	9.0	10,085	(5.8)
Raw materials	5,845	5,256	11.2	5,900	(0.9)
% of sales	62	60	122 bps	59	300 bps
Employee costs	483	439	10.0	527	(8.5)
% of sales	5.1	5.0	5 bps	5.2	-15 bps
Other expenditure	1,727	1,677	3.0	1,842	(6.2)
% of sales	18	19	-106 bps	18	-9 bps
Total expenditure	8,055	7,371	9.3	8,269	(2.6)
EBITDA	1,449	1,348	7.5	1,815	(20.2)
EBITDA margin (%)	15.3	15.5	-21 bps	18.0	-275 bps
Other income	195	96	104.0	246	(20.8)
PBDIT	1,644	1,444	13.9	2,062	(20.2)
Depreciation	174	171	2.0	176	(0.8)
PBIT	1,470	1,273	15.5	1,886	(22.0)
Interest	-	-	NA	-	NA
PBT	1,470	1,273	15.5	1,886	(22.0)
Tax	485	433	12.1	646	(24.9)
% of PBT	33	34	-100 bps	34	-127 bps
PAT	985	840	17.2	1,240	(20.5)
Extraordinary items	-	5,353	-	-	-
Reported PAT	985	6,194	(84.1)	1,240	(20.5)
Adjusted PAT	985	840	17.2	1,240	(20.5)
EPS (Rs)	1.8	1.6	17.2	2.3	(20.6)

Source: Company data, I-Sec research

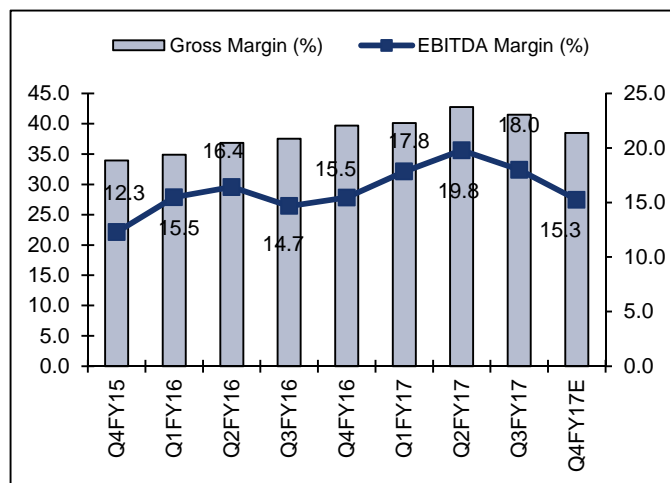
- We expect the topline to grow by 9% driven by high single-digit decorative and industrial volume growth.
- EBITDA margin is expected to go down marginally by 21bps YoY driven by gross margin contraction of 120bps YoY.
- PAT is likely to rise 17% YoY driven by both sales/volume growth and increase in other income.

Chart 9: Sales trend



Source: Company data, I-Sec research

Chart 10: Margins trend

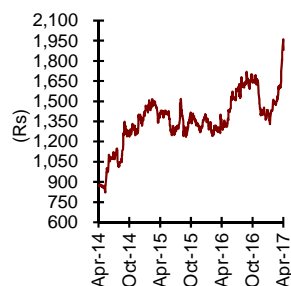


Akzo Nobel (ADD)

(QoQ chg: 33.4%; YTD chg: 33.4%)

Financial Highlights

Price chart

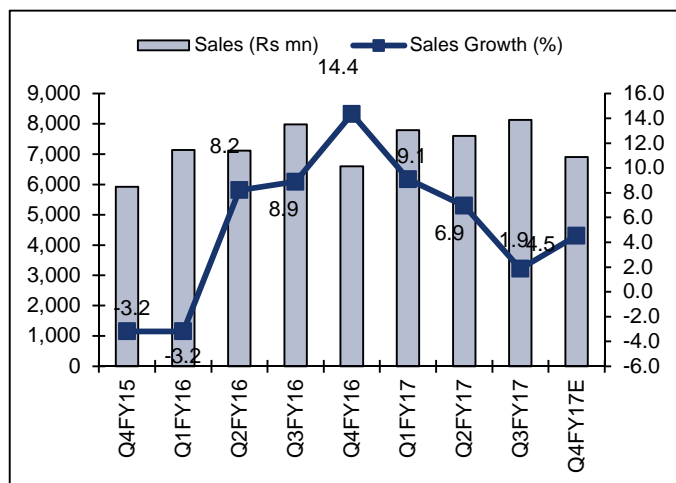


Standalone (Rs mn)	Q4FY17E	Q4FY16	% YoY	Q3FY17	% QoQ
Net revenues	6,905	6,605	4.5	8,130	(15.1)
Raw materials	3,901	3,567	9.4	4,151	(6.0)
% of sales	56.5	54.0	250 bps	51.1	544 bps
Employee costs	550	545	1.0	592	(7.1)
% of sales	8.0	8.3	-28 bps	7.3	69 bps
Excise Duty	-	-	-	824	(100.0)
% of sales	0.0	0.0	0 bps	10.1	-1013 bps
Other expenditure	1,677	1,660	1.0	1,523	10.1
% of sales	24.3	25.1	-85 bps	18.7	555 bps
Total expenditure	6,128	5,772	6.2	7,090	(13.6)
EBITDA	776	833	(6.8)	1,040	(25.4)
EBITDA margin (%)	11.2	12.6	-137 bps	14.2	-299 bps
Other income	98	100	(2.4)	92	6.6
PBDIT	874	933	(6.3)	1,132	(22.8)
Depreciation	143	133	8.0	133	7.5
PBIT	731	801	(8.7)	999	(26.8)
Interest	3	3	(11.8)	9	(65.9)
PBT	728	797	(8.7)	990	(26.5)
Tax	248	263	(5.9)	304	(18.6)
% of PBT	34.0	33.0	100 bps	30.7	327 bps
PAT	480	534	(10.1)	686	(29.9)
Minority interest	-	-	-	-	-
PAT after MI	480	534	(10.1)	686	(29.9)
Extraordinary items	-	-	-	-	-
Reported PAT	480	534	(10.1)	686	(29.9)
EPS (Rs)	10.3	11.5	(10.1)	14.7	(29.9)

Source: Company data, I-Sec research

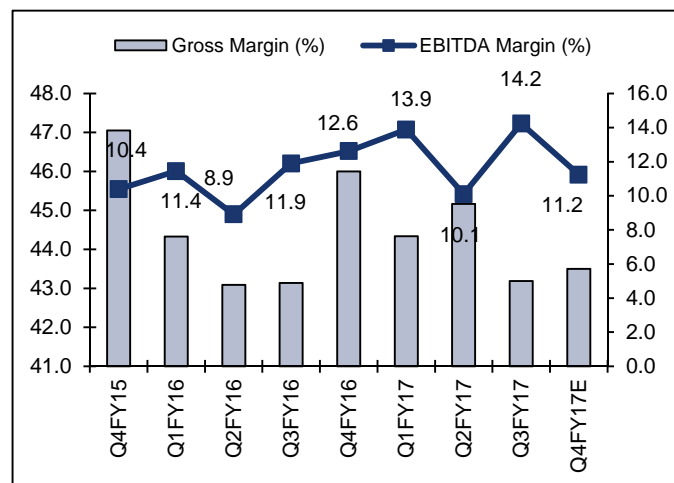
- We expect topline to grow by 4.5% driven by mid-single digit volume growth.
- EBITDA margin is expected to shrink by 137bps YoY due to gross margin contraction of 250bps YoY.
- PAT after minority interest is expected to be down 10.1% YoY due to slow growth in sales/volume and margin contraction.

Chart 11: Sales trend



Source: Company data, I-Sec research

Chart 12: Margins trend

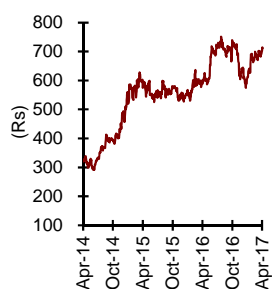


Pidilite (ADD)

(QoQ chg: 15.9%; YTD chg: 20.1%)

Financial Highlights

Price chart

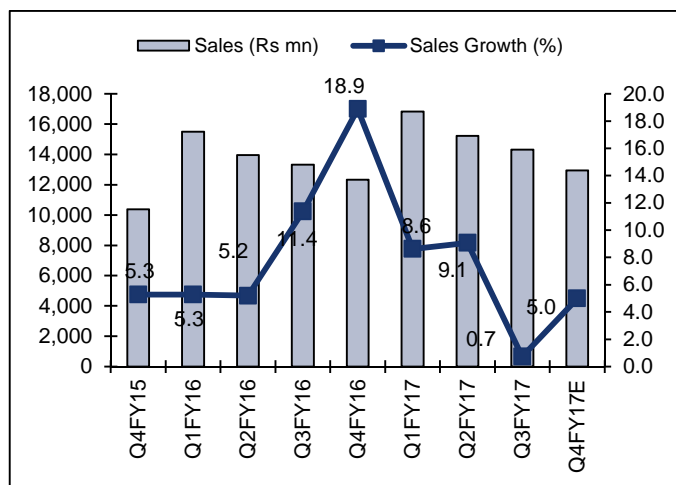


(Rs mn)	Q4FY17E	Q4FY16	% YoY	Q3FY17	% QoQ
Net revenues	12,951	12,335	5.0	14,309	-9.5
Other operating inc (exp), net	89	74	20.6	63	41.5
EBITDA	2,137	2,310	-7.5	2,846	-24.9
EBITDA margin (%)	16.5	18.7	-223 bps	19.9	-339 bps
Depreciation and amortisation	(361)	(351)	3.0	(295)	22.5
EBIT	1,776	1,959	-9.4	2,551	-30.4
EBIT Margin (%)	13.7	15.9	-217 bps	17.8	-412 bps
Net Interest expenses	0	(66)	-100.0	(72)	-100.0
Other NO income (expense), net	210	186	12.8	272	-22.9
Earnings before tax	2,075	2,153	-3.6	2,814	-26.3
Income taxes	(622)	(637)	-2.4	(793)	-21.5
Income tax as % of PBT	30.0	29.6	39 bps	28.2	181 bps
Profits in associate	4	11		4	
Earnings after tax	1,456	1,526	-4.6	2,024	-28.1
Non-recurring items	0.0	0.0	n.m.	0.0	n.m.
Net income (loss), adjusted	1,456	1,561	-6.7	2,067	-29.5
Net Margin (%)	11.1	12.5	-140 bps	14.2	-311 bps
Shares outstanding	512.6	512.7		512.7	
EPS	2.84	3.04	-6.7	4.03	-29.5

Source: Company data, I-Sec research

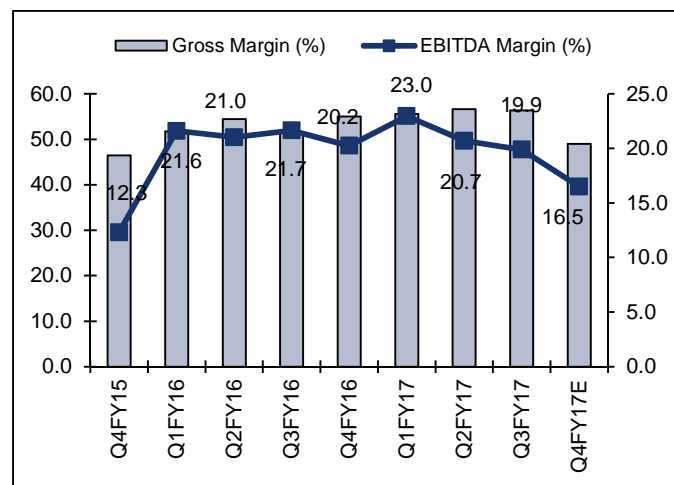
- We expect topline to grow by 5%.
- EBITDA is expected to be down 7.5% YoY due to contraction in margin by 223bps YoY as raw material costs increase.
- PAT is expected to fall by 6.7% primarily due to margin contraction.

Chart 13: Sales trend



Source: Company data, I-Sec research

Chart 14: Margins trend



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ANALYST CERTIFICATION

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