May 15, 2017

Asian Paints (ASIPAI)

₹ 1138

Rising input cost weighs on margin…

- Post demonetisation, Asian Paints (APL) recorded strong volume growth of ~11% YoY in Q4FY17 supported by a recovery in demand from tier II and tier III cities. However, the realisation remains muted due to a change in the product mix and some trade discounts in January. Further, industrial paint demand (automotive, powder coating) stayed intact from auto OEM, industrial liquid paint segment
- APL recorded ~80 bps decline in gross margin due to rising raw material prices in the last two quarters. To offset the rising raw material price, the company has taken ~5% price hike in March and May 2017. Saving in tax out go (~270 bps YoY) the company recorded ~10% YoY increase in PAT. We model revenue, earnings CAGR of 14%, 13%, respectively, for FY16-19E

Leader in paint segment, economic recovery to drive volume growth

APL is the industry leader in the decorative paint segment with ~53% market share and a dealer network of over 40,000 across India. It derives ~81% of its topline from the decorative segment while the rest comes from the industrial segment. We believe consumer durable companies will be key beneficiaries of the government's key reforms like implementation of GST and pay hike. While the Seventh Pay Commission have boosted the disposable income of 1.4 crore government employees, GST would reduce tax arbitrage for the unorganised segment (30-35% of total industry). This will provide additional benefit to organised players in the long run (shift in demand of branded product category). We have modelled revenue CAGR of 14% in FY16-19E led by volume growth owing to demand staying intact for decorative paints in tier II, tier III cities and shorter repainting demand, which will get a boost from implementation of the Seventh Pay Commission recommendation.

APL to maintain profitability in near term amid rising input prices

To avoid inflationary pressure, APL has successfully passed on the price hike (~6-7%) to its customers. However, the EBITDA margin tapered off in FY12-13 as raw material prices moved up sharply (~40% of raw material are imported) hit by an elevated dollar value against the rupee (up 19% in FY11, FY13) and bottoming out titanium dioxide (TiO_2) prices. With stabilisation of crude oil prices, we believe there would be a slight consolidation in the EBITDA margin (still higher than historical level). However, we believe Asian Paints being the market leader has the capability to retain some benefits by taking a price hike. As a result, we believe the margin would remain at an elevated level for FY16-19E.

Fairly valued; recommend HOLD

We believe the company will record strong sales CAGR of 14% in FY16-19E led by volume CAGR of 12%. We believe being a market leader in the decorative paint segment, any price hike in raw material would be easily passed on to its customers. The company would maintain EBITDA margin at ~17% despite higher raw material prices. As a result, PAT is likely to record CAGR of ~ 13% for FY16-19E. Also, high cash on the books could lead to an increase in dividend payout and improvement in RoEs. We believe at the CMP the stock is discounting all near term positive with earning multiple of 48x and 41x FY18E and FY19E, respectively. We value the stock at 43x FY19E earnings and revise our target price to ₹ 1204 per share.

Rating matrix

Rating	:	Hold
Target	:	₹ 1204
Target Period	:	12 months
Potential Upside	:	6%

What's Changed?

Target	Changed from ₹ 1090 to ₹ 1204
EPS FY18E	Changed from ₹ 24.0 to ₹ 23.4
EPS FY19E	Changed from ₹ 27 to ₹ 27.4
Rating	Changed from Buy to Hold

Quarterly Performance

	Q4FY17	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Revenue	4,416.2	4,053.8	8.9	4,305.7	2.6
EBITDA	711.9	697.1	2.1	776.3	-8.3
EBITDA (%)	16.1	17.2	-108bps	17.8	-171bps
PAT	479.6	435.5	10.1	489.3	-2.0

Key Financials

₹ Crore	FY16	FY17E	FY18E	FY19E
Revenue	15,842	17,223	19,435	22,983
EBITDA	2,769.1	3,021.4	3,254.5	3,878.4
Net Profit	1,801.8	2,016.2	2,244.5	2,630.2
EPS (₹)	18.8	21.0	23.4	27.4

Valuation summary

	FY16	FY17E	FY18E	FY19E
P/E	60.6	54.1	48.6	41.5
Target P/E	64.1	57.3	51.4	43.9
EV / EBITDA	38.8	35.7	33.2	27.8
P/BV	19.5	14.4	12.6	10.8
RoNW (%)	34.2	29.8	26.9	27.4
RoCE (%)	48.0	42.1	35.9	36.6

Stock data

Particular	Amount
Market Capitalization (₹ Crore)	109,157.0
Total Debt (FY17) (₹ Crore)	545.5
Cash and Investments (FY17) (₹ Crore)	1,933.5
EV (₹ Crore)	107,769.0
52 week H/L (₹)	1227/851
Equity capital (₹ Crore)	95.9
Face value (₹)	1.0

Price performance (%)

	1M	3M	6M	12M
Asian Paints	5.6	14.1	17.5	22.2
Berger Paints	7.5	11.7	18.7	28.2
Kansai Nerolac	8.2	14.7	20.3	37.0
Akzo Noble	3.1	28.3	26.6	40.3

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Variance analysis

	Q4FY17	Q4FY17E	Q4FY16	YoY (%)	Q3FY17	QoQ (%)	Comments
Revenue	4,416.2	4,400.5	4,053.8	8.9	4,305.7	2.6	Sales growth of 9% came on the back of volume growth of ~11% YoY. Change in product mix caused a slight reduction in realisation. Subsidiary sales were flat YoY as business in Egypt and Ethiopia were hurt by devaluation of currency and raw material constraint
Other Income	70.1	34.0	47.6	47.4	41.5	69.1	
Raw Material Exp	2,219.4	2,230.8	2,004.8	10.7	2,204.5	0.7	As raw material prices have moved up over the last two quarters, gross margin of the company declined 80 bps YoY. However, to offset rising raw material cost, the company took a price hike of 5.7%
Employee Exp	265.2	291.3	267.7	-1.0	264.3	0.3	
Manufacturing & Other exp	756.0	1,087.1	697.1	8.4	691.8	9.3	
EBITDA	711.9	791.3	697.1	2.1	776.3	-8.3	
EBITDA Margin (%)	16.1	18.0	17.2	-108 bps	17.8	-171 bps	Higher raw material prices took a toll on EBITDA margin despite saving in employee cost
Depreciation	83.5	90.5	72.2	15.7	85.5	-2.4	
Interest	9.0	31.4	14.9	-39.5	9.2	-1.7	
Exceptional items	0.0	0.0	0.0	NA	0.0	NA	
PBT	689.5	703.3	657.6	4.9	723.1	-4.6	
Total Tax	220.5	232.1	228.0	-3.3	246.5	-10.6	
PAT	479.6	484.7	435.5	10.1	489.3	-2.0	In spite of a decline in EBITDA margin, PAT increased 10% YoY supported by lower tax incidence and higher other income
Key Metrics							
Volume growth (%)	11.0	8.5	14.0		4.0		Volume growth was supported by a recovery in demand (from tier II and tier III cities) post demonetisation and change in product mix
Realisation growth (%)	-1.9	0.2	-3.0		-0.3		Change in product mix coupled with higher sales of lower end products had impact on realisation

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	FY18E			FY19E			Comment
	Old	New	% Change	Old	New	% Change	
Revenue	18,697.2	19,435.3	3.9	21,675.6	22,983.1	6.0	We have revised our estimate upward for FY18E and FY19E supported by better volume growth due to addition of new capacity. We have revised volume at CAGR of 12% in FY16-19E. We have modelled a moderate price hike (~2% YoY) during the same period considering increase input prices
EBITDA	3,278.9	3,254.5	-0.7	3,663.7	3,878.4	5.9	
EBITDA Margin %	17.5	16.7	-75bps	16.9	16.9	-3bps	With the stabilisation of crude oil prices, we believe there would be a slight consolidation in the EBITDA margin (still higher than historical level). However, we believe Asian Paints being the market leader has the capability to retain some beneifts by taking a price hike. As a result, we believe the margin would remain at an elevated level for FY16-19E
PAT	2305.8	2244.5	-2.7	2591.0	2630.2	1.5	
EPS (₹)	24.0	23.4	-2.7	27.0	27.4	1.5	

Source: Company, ICICIdirect.com Research

Assumptions

			Current		Earlier		Comments
	FY16E	FY17E	FY18E	FY19E	FY18E	FY19E	
Volume Growth (%)	10.5	13.1	11.0	12.8	11.2	11.9	Volume growth (at CAGR 12% FY16-19E) was largely driven by sustained demand from tier II and tier III cities coupled with a demand recovery in the southern region. Volumes would also be boosted by implementation of the government's Seventh Pay Commission plan and expectation of better monsoons. This coupled with implementation of GST would aid volume growth due to a shift in demand from the unorganised to the organised segment
Realisation Growth (%)	(2.3)	(2.6)	5.0	6.0	3.5	4.0	

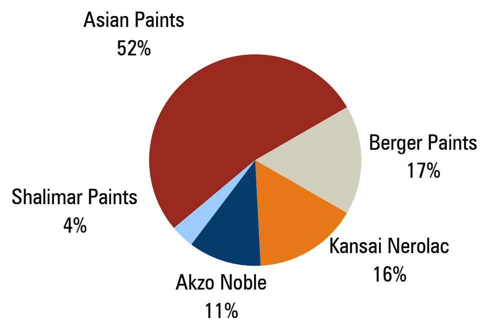
Source: Company, ICICIdirect.com Research

Company Analysis

Consistent performance, strong correlation with GDP growth

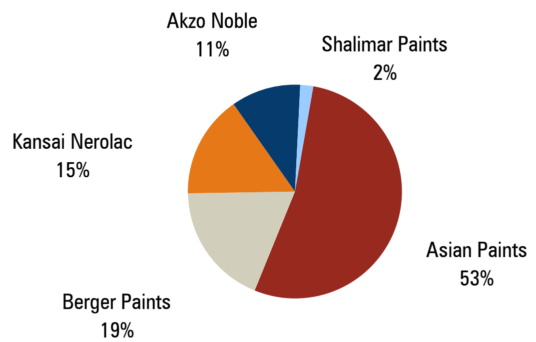
Asian Paints (APL) has maintained its industry leadership position in FY16 among top five players (i.e. Berger Paints, Kansai Nerolac, Akzo Nobel and Shalimar Paints) with a market share of 53%. The company is followed by Berger Paints with ~17% and Kansai Nerolac with ~16%. Historically, there exists a strong correlation between volume growth of paints companies and GDP growth, which is at ~1.5-2x. However, in the last two years, the correlation has remained on the lower side (~1.7x, 1.1x of GDP for FY15, FY16, respectively) largely attributable to the price cut taken by paint companies on account of lower raw material prices. Despite competition gaining momentum, APL's market share has improved 100 bps (in terms of value) supported by a strong dealer network, strong supply chain, brand building exercise and launch of premium products in domestic markets. The company has a strong dealer network of over 40,000 across India (~27,000 dealers with tinting machines), which is nearly double India's No. 2 player Berger Paints in the decorative segment.

Exhibit 1: Market share of leading paint companies (2008)



Source: Company, ICICIdirect.com Research

Exhibit 2: Market share of leading paint companies (2016)



Source: Company, ICICIdirect.com Research

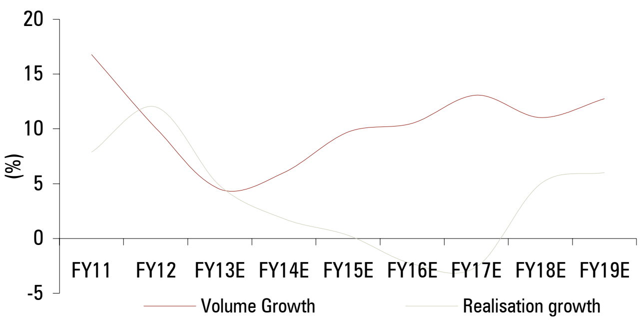
During FY16, expansion work at the Rohtak plant in Haryana is set to double the capacity from the existing 2,00,000 KL per annum to 4,00,000 KL per annum was successfully completed. For the future expansion plan, the company will be setting up a paint manufacturing plant with a capacity of 4,00,000 KL in phases at Vishakhapatnam in Andhra Pradesh at an investment of ~₹ 1,750 crore. Additionally, the company would also invest ~₹ 2,300 crore to set up a paint manufacturing facility with a capacity of 6,00,000 KL in phases at Mysuru in Karnataka. The capacity at both these manufacturing facilities will be built in a phased manner to service the future paint demand. The first phase of both capacities (at 300000 KL) would be completed by FY19E.

The leader in the decorative paints segment continues to grow at a healthy pace with strong double digit volume growth mainly contributed by decorative paints demand

Implementation of GST, Seventh pay panel to benefit, going forward

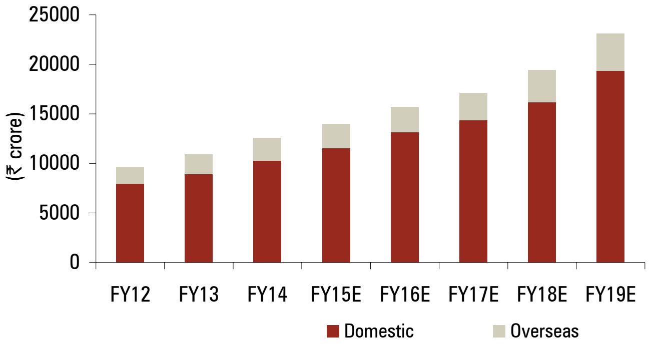
We believe consumer discretionary companies will be key beneficiaries of the government's key reforms like implementation of GST and pay hike. While the Seventh Pay Commission will boost the disposable income of 1.4 crore government employees, GST would reduce tax arbitrage for the unorganised segment (30-35% of total industry). This will provide additional benefit to organised players in the long run (shift in demand of branded product category). We have modelled revenue CAGR of 14% in FY16-19E led by volume growth owing to demand remaining intact for decorative paints in tier II and tier III cities and shorter repainting demand, which will get a boost from implementation of the Seventh Pay Commission.

Exhibit 3: Expect volume CAGR of 13% in FY16-19E



Source: Company, ICICIdirect.com Research

Exhibit 4: Net sales growth at 14% CAGR in FY16-19E



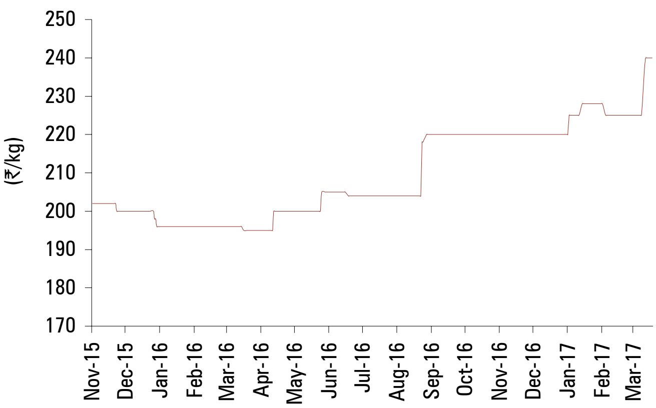
Source: Company, ICICIdirect.com Research

Sharp volume growth with timely price hike offset inflationary pressure

APL's margin movement has been in the range of 15-16% during the bull run of FY05-08 and in FY10, supported by volume CAGR of ~16% and benefit of lower raw material prices [mainly titanium dioxide (TiO2)]. However, APL has not been immune to the economic slowdown. The EBITDA margin in FY09 declined ~400 bps YoY (followed by a sharp gross margin correction of 440 bps) due to a sharp movement in crude oil prices. As majority of the raw material of paint companies is imported (~40% of raw material), an elevated dollar value against the rupee and higher TiO2 prices (increased at CAGR of 11%) in FY11-14 restricted the average EBITDA margin to 15-16% with volume CAGR of ~8% in the same period.

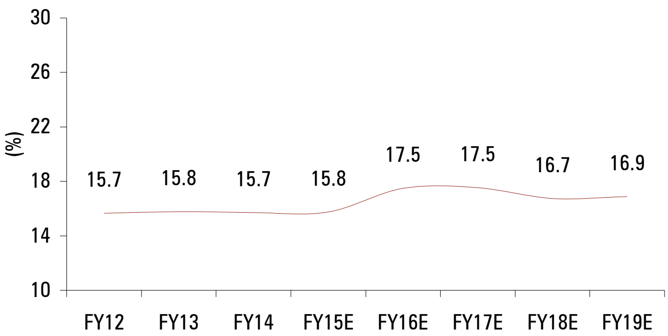
Raw material prices have remained benign in the last few years, helping an expansion in gross margin by ~338 bps in FY15-16. With the stabilisation of crude oil prices, we believe there would be a slight consolidation in the EBITDA margin (still higher than historical level). However, we believe Asian Paints being the market leader has the capability to retain some benefits by taking a price hike. As a result, we believe the margin would remain at an elevated level for FY16-19E.

Exhibit 5: Stabilising raw material cost (Tio2 Prices)



Source: Company, ICICIdirect.com Research

Exhibit 6: Regular price hike to help in margin expansion

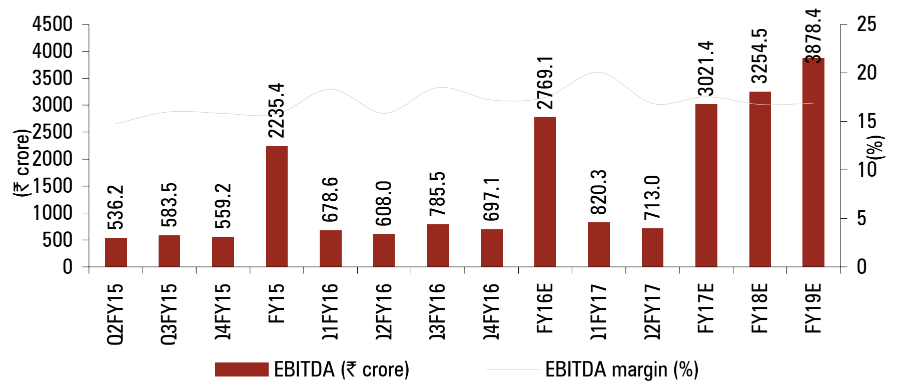


Source: Company, ICICIdirect.com Research

Urbanisation, early repainting demand for sustainable growth

Increasing urbanisation, higher rural income levels and a brief repainting cycle have been the main reasons for sustainable decorative paints demand. With the substantial increase in urban income from 2004 to 2011 and rural income in 2007-12, decorative paints demand has witnessed double digit growth over the last four or five years. With more than 65% of decorative paints demand contributed by repainting demand, a reduction in duration of repainting activity from eight or nine years to four or five years has also been a reason for strong decorative paints demand. In the medium-term, we believe higher disposable income (due to implementation of Seventh Pay Commission) coupled with expectations of better monsoons (would help in improving rural income) would be a strong trigger for the paint industry. This is evident from the history that the paint industry recorded strong volume growth of ~15% post implementation of the Sixth Pay Commission. Simultaneously, premiumisation, specifically from distemper to external emulsion, is the new trend. This has led to higher realisations for the decorative paints. As the phenomenon continues, this would also help the industry to command higher margins, going forward.

Exhibit 7: Benign commodity prices to support higher EBITDA margin (FY16-19E)

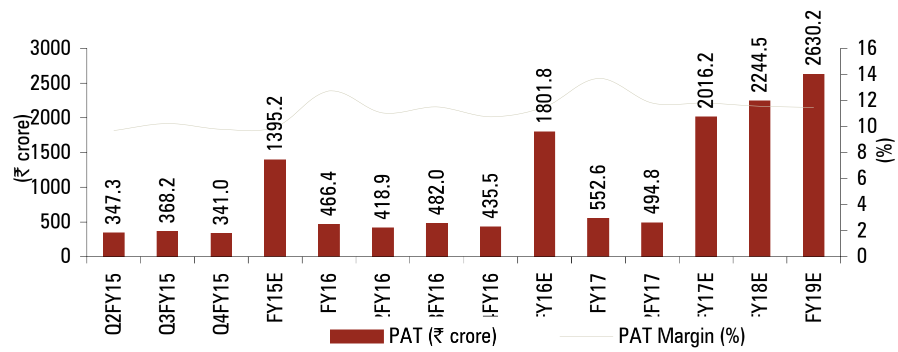


Source: Company, ICICIdirect.com Research

Improvement in margin to drive PAT

We believe PAT is likely to record a CAGR of 13% in FY16-19E, supported by sales CAGR of 12% with higher EBITDA margin of ~17%. In the long term, the company plans to double its manufacturing capacity with an investment of ₹ 4000 crore. This includes setting up of 400000 KL plant at Andhra Pradesh and 600000 KL plant in Karnataka.

Exhibit 8: PAT likely to grow at 13% CAGR in FY16-19E



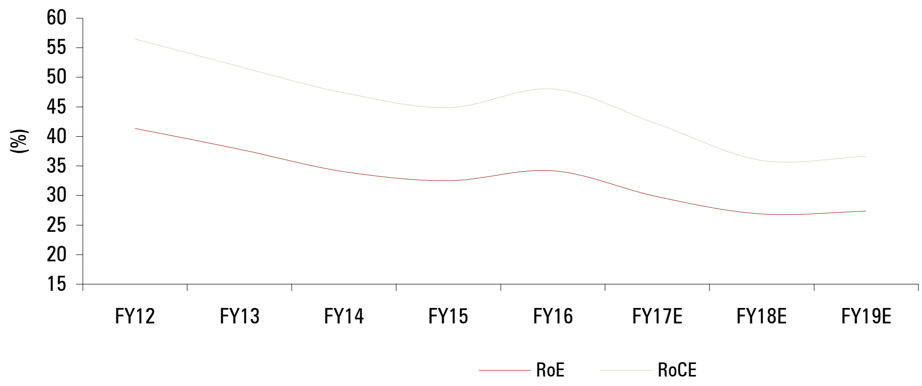
Source: Company, ICICIdirect.com Research

Annual report key takeaways (FY16)…

1. The business portfolio of Asian Paints includes ~80% of decorative paints (India), 14% of international business, 4% of Industrial paints (India) and 2% of home improvement business
2. The company recorded paint volume growth of ~11% YoY (I-direct estimate) in FY16 led by decorative paint business in India. The volume growth came mainly in H2FY16 aided by strong secondary demand in the festive season. Growth from Tier II and Tier III markets continued to outpace Tier I market growth. Demand conditions were challenging especially in Kerala, Tamil Nadu and Gujarat. Demand in Tamil Nadu was affected by floods, which occurred in November-December 2015
3. There was a cumulative price decline of 2% in FY16 vs. increase of 0.39% in FY15
4. Continued focus on network expansion and opening new 'Colour Ideas' store. Over 300 'Colour Ideas' stores across the country
5. "AP Homes" - Multi-category décor store inaugurated in Coimbatore. Integrated décor store across categories of paints, wallpapers, kitchen, bath fittings, sanitary ware, furnishings, light fittings, etc
6. Several new products launched during the year. Major ones among them - "Royale Matt", "PGE Advance" and "Tractor Star"
7. Distribution arrangement with Henkel Adhesives Technologies, Germany to sell Loctite brand of adhesives under a co-branding initiative. Introduced adhesives in certain western markets of the country
8. Rohtak (Haryana) plant capacity expansion from 200,000 KL per annum to 400,000 KL per annum successfully completed in FY16
9. Comprehensive modernisation programme for Ankaleshwar (Gujarat) and Kasna (UP) plant completed
10. Khandala plant subsidy income was ₹ 134.2 crore (₹ 109.1 crore in FY15)
11. International operation contributes 14% to the group turnover. It posted revenue growth of ~17% YoY to ₹ 2081 crore. Revenue growth was led by Middle East and African region (contribute ~55% to international revenue). Asia Pacific, Caribbean and South pacific contributed 28%, 11% and 6% in the international business with sales growth of 5%, 8% and 7% YoY, respectively
12. Sleek recorded net sales of ₹ 134.7 crore in FY16 and PBIT loss of ₹ 19 crore during the year. The company has taken a provision for diminution in the value of the investment made in Sleek to the tune of ₹ 65.3 crore in Q3FY16 based on the assessment of the fair value of investment. Network expansion with addition of new distributors and dealers for the components business. It launched the "Smart kitchen range" for easy installation and design
13. ESS ESS sales were ₹ 106.2 crore in FY16 with PBIT loss of ₹ 30.2 crore for the year after amortisation charge of ₹ 5.9 crore. The company Launched a sanitary ware range under the brand name 'Bathsense' in certain markets of West Bengal
14. Land procurement process was completed in Andhra Pradesh and Karnataka for setting up paint manufacturing facilities
    a. Proposes to set up 4,00,000 KL plant at Vishakhapatnam in Andhra Pradesh at an investment of ~₹ 1750 crore
    b. Proposes to set up 6,00,000 KL plant at Mysuru in Karnataka at an investment of ~₹ 2300 crore
    c. Both plants to come up in phases depending on future demand conditions

15. During FY16, APL, India invested ₹ 143 crore in APIL, Mauritius. APIL has invested this amount in BIPL, Singapore to repay part of its debt
16. New state-of-the-art manufacturing facility inaugurated at Sohar in Oman with an annual capacity of 21,000 KL
17. Setting up of greenfield plant at Indonesia moving at a slower pace than expected due to the delay in getting all regulatory approvals

Exhibit 9: Lighter balance sheet to help drive return ratios



Source: Company, ICICIdirect.com Research

Outlook and valuation

As APL is the market leader in the decorative segment with over 53% market share, the company has commanded rich valuations compared to peers in spite of volume pressure and the declining trend of margin and return ratios. The company recorded revenue, PAT CAGR of 19.6%, 33%, respectively, supported by ~16% volume CAGR in FY05-08. Better operating leverage led to EBITDA margin expansion of 200 bps during the same period. The company has commanded an average one year forward earnings multiple of 22x in FY05-08 with average RoE of 39%. For FY11-13, revenue, PAT CAGR was 12%, 10%, respectively, supported by ~7-8% volume growth.

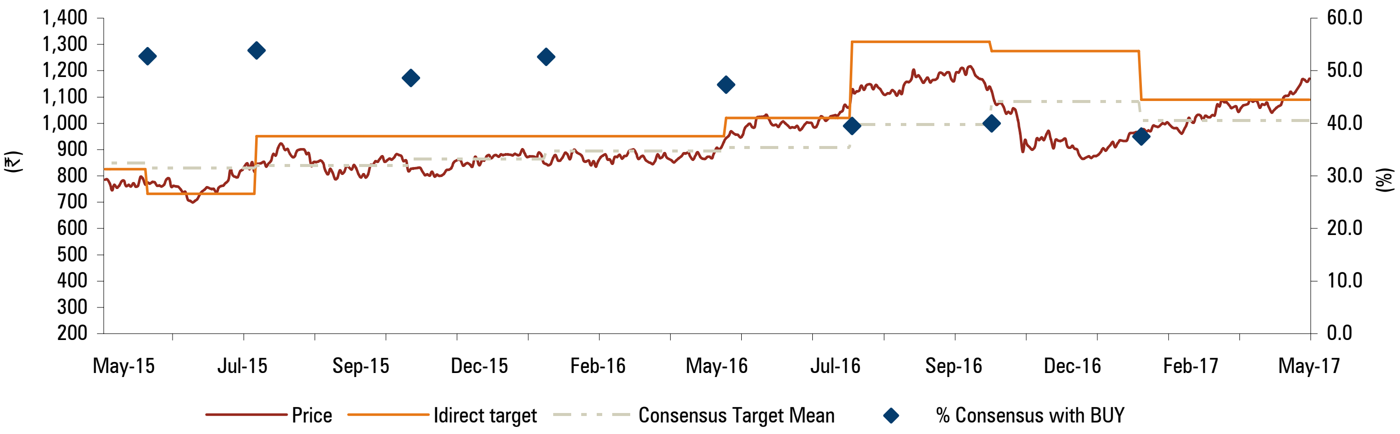
Despite an EBITDA margin erosion by ~142 bps due to lower operating leverage (higher fixed cost) and RoE on a declining trend, the stock has commanded average one year forward earnings multiple of 30x. We have modelled revenue, earning CAGR ~14%, ~13%, respectively. We estimate volume CAGR of 12% and limited realisation growth (CAGR 1.6%) in FY16-19E largely on the back of a change in the product mix. Historically, in FY10, the company witnessed a sharp increase in gross margin on account of lower crude prices. We believe crude oil prices will remain at lower levels in the near term, benefiting the market leader as it is unlikely to pass on the entire benefit of lower raw material prices. Also, Asian Paints being the market leader has the capability to retain some benefits by taking price hike in case of rising raw material prices. In addition to this, high cash on the books could lead to an increase in dividend payout and improvement in RoEs. We believe, at CMP the stock is discounting all near term positive with earning multiple of 48x and 41x FY18E and FY19E respectively. We value the stock at 43x FY19E earnings and revised our target price to ₹ 1204/share.

Exhibit 10: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	15841.7		18.8		60.6	38.8	34.2	48.0
FY17E	17223.1	8.7	21.0	11.9	54.1	35.7	29.8	42.1
FY18E	19435.3	12.8	23.4	11.3	48.6	33.2	26.9	35.9
FY19E	22983.1	18.3	27.4	17.2	41.5	27.8	27.4	36.6

Source: Company, ICICIdirect.com Research

Recommendation history vs. consensus



Source: Bloomberg, Company, ICICIdirect.com Research

Key events

Date	Event
Mar-10	Robust volume growth along with substantial improvement in operating margins ~18% (best in last six seven years) results in a rally in the stock
May-10	Commences operations in its new manufacturing facility at Rohtak, Haryana with a capacity of 1,50,000 kl at an investment of ₹ 275 crore
Jan-11	Margin decline due to slow & steady inch up of key crude based raw material prices
Oct-11	Aggressive price hike to mitigate raw material pressure a respite to the stock price
May-12	Starts building a decorative paints plant in Khandala (Maharashtra) with a capacity of ~3,00,000 kl (scalable capacity of 4,00,000 kl)
Jan-13	Sustained volumes along with ~20% decline in Titanium dioxide lead to positive movement in the stock
Jul-13	Stock witnesses a steep decline in anticipation of adverse impact on results due to a volatile currency movement
Nov-13	With sustained volumes and strong margins in Q2FY14 contrary to expectation, the stock recovers and makes new high in November
Nov-13	Company closes down operation of its powder coating plant at Baddi (HP) for two years due to a significant decline in the processing volume
Feb-14	Unconditional cash offer for shares of Berger International (BIL), Singapore by Asian Paints (International) Ltd (APIL), Mauritius, to make BIL a wholly-owned subsidiary and delist from Singapore Exchange Securities Trading (SGX-ST)
Apr-14	Asian Paints (International) Ltd, Mauritius, subsidiary of Asian Paints acquires 51% stake in Kadisco Chemical Industry PLC, Ethiopia
May-14	Asian Paints acquires entire stake of Ess Ess Bathroom Products Pvt Ltd, a prominent player in the bath and wash business segment in India

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Last filing date	%O/S	Position (m)	Change (m)
1	Smiti Holding & Trading Company Pvt. Ltd.	31-Dec-16	5.6	54.1	0.0
2	Isis Holding & Trading Company Pvt. Ltd.	31-Dec-16	5.5	52.9	0.0
3	Geetanjali Trading & Investments Pvt. Ltd.	31-Dec-16	5.1	49.3	0.0
4	Ojasvi Trading Pvt. Ltd.	31-Dec-16	4.9	47.0	0.0
5	Life Insurance Corporation of India	31-Dec-16	4.7	44.9	0.2
6	Elcid Investments, Ltd.	31-Dec-16	3.0	28.3	0.0
7	Vakil (Abhay Arvind)	31-Dec-16	2.4	23.3	0.0
8	Gujarat Organics Ltd	31-Dec-16	2.4	22.8	0.0
9	Sudhanava Investments & Trading Company Pvt. Ltd.	31-Dec-16	2.0	19.0	0.0
10	Rupen Investment & Industries Pvt. Ltd.	31-Dec-16	2.0	18.8	0.0

Shareholding Pattern

(in %)	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Promoter	52.8	52.8	52.8	52.8	52.8
Institutions	27.1	26.3	26.3	25.6	25.7
Others	20.1	21.0	20.9	21.6	21.5

Source: Reuters, ICICIdirect.com Research

Recent Activity

Buys			Sells		
Investor name	Value(m)	Shares(m)	Investor name	Value(m)	Shares(m)
Franklin Advisers, Inc.	3.9	0.2	Lyxor Asset Management	-18.1	-1.1
Baillie Gifford & Co.	3.0	0.2	Robeco Institutional Asset Management B.V.	-10.2	-0.7
Life Insurance Corporation of India	2.4	0.2	Norges Bank Investment Management (NBIM)	-6.2	-0.5
Sands Capital Management, LLC	2.1	0.1	Handelsbanken Asset Management	-4.5	-0.3
Northern Trust Global Investments	1.6	0.1	Grantham Mayo Van Otterloo & Co LLC	-3.3	-0.2

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement				₹ Crore
(Year-end March)	FY16	FY17E	FY18E	FY19E
Total Operating Revenue	15,841.7	17,223.1	19,435.3	22,983.1
Growth (%)		8.7	12.8	18.3
Raw Material Expenses	8,049.7	8,430.6	10,311.4	13,313.0
Employee Expenses	989.5	1,086.3	1,360.5	1,608.8
Marketing Expenses	1,523.2	1,195.9	1,360.5	1,379.0
Administrative Expenses	476.7	341.7	621.9	643.5
Other expenses	2,765.9	3,008.8	2,526.6	2,160.4
Total Operating Expenditure	13,072.6	15,601.0	16,180.8	19,104.7
EBITDA	2,769.1	3,021.4	3,254.5	3,878.4
Growth (%)	23.9	9.1	7.7	19.2
Depreciation	275.6	338.8	376.1	441.1
Interest	40.7	30.6	54.7	45.8
Other Income	213.4	262.6	197.0	153.6
PBT	2,666.3	2,914.6	3,020.6	3,545.1
Total Tax	844.4	948.0	830.7	974.9
PAT	1,801.8	2,016.2	2,244.5	2,630.2
Growth (%)	29.1	11.9	11.3	17.2
EPS (₹)	18.8	21.0	23.4	27.4

Source: Company, ICICIdirect.com Research

Cash flow statement				₹ Crore
(Year-end March)	FY16	FY17E	FY18E	FY19E
Profit before Tax	2,628.4	2,914.6	3,020.6	3,545.1
Add: Depreciation	288.0	338.8	376.1	441.1
(Inc)/dec in Current Assets	251.7	-943.3	-907.5	-957.0
Inc/(dec) in CL and Provisions	0.0	68.4	691.6	692.3
Others	-19.4	227.8	143.1	125.8
Tax Paid	-815.4	-948.0	-830.7	-974.9
CF from operating activities	2,333.3	1,319.5	2,117.1	2,431.4
(Inc)/dec in Investments	-147.9	-1,104.1	-185.0	-90.0
(Inc)/dec in Fixed Assets	-805.9	-51.7	-1,073.9	-808.9
Others	84.7	0.0	0.0	0.0
CF from investing activities	-869.1	-1,155.8	-1,258.9	-898.9
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	-113.9	-64.1	-29.7	-20.8
Dividend paid & dividend tax	-764.2	-987.7	-1,151.0	-1,247.0
Inc/(dec) in Sec. premium	0.0	0.0	0.0	0.0
CF from financing activities	-918.2	-1,051.8	-1,180.8	-1,267.8
Net Cash flow	546.0	-888.1	-322.6	264.7
Opening Cash	204.4	420.4	582.2	259.6
Closing Cash	420.4	582.2	259.6	524.3

Source: Company, ICICIdirect.com Research

Balance sheet				₹ Crore
(Year-end March)	FY16	FY17E	FY18E	FY19E
Liabilities				
Share Capital	95.9	95.9	95.9	95.9
Reserve and Surplus	5,509.3	7,506.4	8,599.8	9,983.1
Total Shareholders funds	5,605.3	7,602.3	8,695.7	10,079.0
Long term loans	74.9	41.1	41.1	41.1
Long Term Provisons	124.4	146.0	166.0	186.0
Minority Interest/Other LT liab	522.4	745.5	770.5	795.5
Current Liabilities				
Creditors	1,590.1	1,922.8	2,429.4	2,936.7
Other CL	2,226.3	1,962.0	2,147.0	2,332.0
Total Liabilities	10,143.3	12,419.8	14,249.8	16,370.4
Assets				
Gross Block	4,754.4	5,236.2	6,336.2	7,236.2
Less: Acc Depreciation	1,787.0	2,125.9	2,502.0	2,943.1
Net Block	2,967.4	3,110.3	3,834.2	4,293.1
Capital WIP	348.9	257.5	607.5	957.5
Non- Current Investments	539.3	1,300.7	1,450.7	1,505.7
LT loans & advances	179.3	72.6	97.6	122.6
Deffered Tax Assets	0.5	16.16	2.4	2.4
Other Non-current Assets	247.4	696.9	706.9	716.9
Current Assets				
Inventory	2,064.0	2,626.9	2,969.3	3,511.3
Debtors	1,248.3	1,446.6	1,619.6	1,915.3
Cash & Bank	420.4	582.2	259.6	524.3
Loans & Advances	289.0	17.8	269.9	319.2
Other Current Assets	1,839.0	2,292.2	2,432.2	2,502.2
Total Assets	10,143.2	12,419.7	14,249.7	16,370.4

Source: Company, ICICIdirect.com Research

Key ratios				
(Year-end March)	FY16	FY17E	FY18E	FY19E
Per share data (₹)				
EPS	18.8	21.0	23.4	27.4
Cash EPS	21.3	24.0	26.8	31.4
BV	58.4	79.3	90.7	105.1
DPS	7.5	10.3	12.0	13.0
Cash Per Share	43.8	60.7	27.1	54.7
Operating Ratios (%)				
EBITDA Margin	17.5	17.5	16.7	16.9
PBT / Total Operating income	16.7	17.1	15.5	15.4
PAT Margin	11.5	11.8	11.5	11.4
Inventory days	47.4	55.4	55.0	55.0
Debtor days	28.7	30.5	30.0	30.0
Creditor days	36.5	40.5	45.0	46.0
Return Ratios (%)				
RoE	34.2	29.8	26.9	27.4
RoCE	48.0	42.1	35.9	36.6
RoIC	30.4	28.0	27.9	29.3
Valuation Ratios (x)				
P/E	60.6	54.1	48.6	41.5
EV / EBITDA	38.8	35.7	33.2	27.8
EV / Net Sales	6.8	6.3	5.6	4.7
Market Cap / Sales	6.9	6.3	5.6	4.7
Price to Book Value	19.5	14.4	12.6	10.8
Solvency Ratios				
Debt/EBITDA	0.1	0.2	0.2	0.2
Debt / Equity	0.1	0.1	0.1	0.1
Current Ratio	1.1	1.5	1.5	1.5
Quick Ratio	0.5	0.7	0.7	0.7

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Consumable)

Sector / Company	CMP (₹)	TP(₹)	Rating	M Cap (₹ Cr)	EPS (₹) FY17E	FY18E	FY19E	P/E (x) FY17E	FY18E	FY19E	EV/EBITDA (x) FY17E	FY18E	FY19E	RoCE (%) FY17E	FY18E	FY19E	RoE (%) FY17E	FY18E	FY19E
Asian Paints (ASIPAI)	1,138	1,204	Hold	109,157	21.0	23.4	27.4	54.1	48.6	41.5	35.7	33.2	27.8	33.2	30.6	31.2	26.5	25.8	26.1
Bajaj Electricals (BAJELE)	353	280	Hold	3,521	10.0	13.6	16.4	35.3	25.9	21.5	15.4	13.4	11.6	24.0	25.1	25.6	12.2	14.8	15.7
Havells India (HAVIND)	510	570	Buy	31,819	8.6	12.1	15.7	59.0	42.1	32.4	36.5	28.2	22.5	23.0	26.5	28.0	17.4	21.2	22.5
Kansai Nerolac (KANNER)	414	445	Buy	22,311	9.4	10.0	11.5	44.1	41.2	36.0	29.4	27.6	23.8	26.2	26.6	27.0	18.0	18.5	18.7
Pidilite Industries (PIDIND)	751	775	Buy	38,499	15.5	17.6	20.0	48.6	42.7	37.5	31.7	27.7	23.5	34.8	35.4	35.2	25.7	25.9	25.8
Essel Propack (ESSPRO)	266	270	Hold	4,178	12.1	14.2	17.4	21.9	18.8	15.3	10.6	8.9	7.5	15.8	18.0	19.7	13.9	15.3	16.4
Supreme Indus (SUPIND)	1,200	1,285	Buy	15,243	33.7	36.6	43.7	35.6	32.8	27.5	20.2	17.9	15.2	30.0	32.6	35.1	25.3	26.5	27.7
Symphony (SYMLIM)	1,471	1,530	Buy	10,291	25.2	35.7	45.0	58.4	41.2	32.7	46.1	32.2	25.3	63.8	62.8	66.2	46.7	45.9	48.4
V-Guard Ind (VGUARD)	206	151	Hold	8,722	3.8	4.2	5.1	54.4	49.2	40.8	39.0	35.3	29.2	34.8	30.7	30.6	26.5	23.6	23.8
Voltas Ltd (VOLTAS)	434	400	Buy	14,354	14.7	16.5	19.0	29.6	26.3	22.8	25.2	22.1	18.5	23.8	23.9	24.5	18.3	18.4	18.9

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ource: Company, ICICIdirect.com Research

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