October 25, 2017

Rating matrix		
Rating	:	Hold
Target	:	₹ 1241
Target Period	:	12 months
Potential Upside	:	2%

What's Changed?	
Target	Changed from ₹ 1204 to ₹ 1241
EPS FY18E	Changed from ₹ 22.4 to ₹ 23.6
EPS FY19E	Changed from ₹ 26.8 to ₹ 27.6
Rating	Unchanged

Quarterly Performance

	Q2FY18	Q2FY17	YoY (%)	Q1FY18	QoQ (%)
Revenue	4,274.2	3,757.7	13.7	3,809.8	12.2
EBITDA	801.1	705.4	13.6	665.5	20.4
EBITDA (%)	18.7	18.8	-3bps	17.5	128bps
PAT	593.7	494.8	20.0	440.8	34.7

Key Financials

₹ Crore	FY16	FY17E	FY18E	FY19E
Revenue	15,842	17,223	18,865	22,822
EBITDA	2,769.1	3,005.7	3,214.4	3,899.3
Net Profit	1,801.8	2,090.6	2,264.3	2,645.4
EPS (₹)	18.8	21.8	23.6	27.6

Valuation summary

	FY16	FY17E	FY18E	FY19E
P/E	64.7	55.8	51.5	44.1
Target P/E	66.1	56.9	52.6	45.0
EV / EBITDA	41.5	38.3	35.9	29.5
P/BV	20.8	15.2	13.3	11.4
RoNW (%)	34.2	30.7	26.8	27.2
RoCE (%)	48.0	42.9	35.9	36.5

Stock data

Particular	Amount
Market Capitalization (₹ Crore)	116,638.7
Total Debt (FY17) (₹ Crore)	545.5
Cash and Investments (FY17) (₹ Crore)	2,007.9
EV (₹ Crore)	115,176.4
52 week H/L (₹)	1262/851
Equity capital (₹ Crore)	95.9
Face value (₹)	1.0

Price performance (%)

	1M	3M	6M	12M
Asian Paints	1.1	4.7	13.2	7.3
Berger Paints	13.4	10.0	12.1	7.8
Kansai Nerolac	6.7	11.1	29.8	31.8
Akzo Noble	1.5	4.2	(9.0)	10.9

Research Analyst

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Asian Paints (ASIPAI)

₹ 1216

Healthy volume growth drives topline…

- An early festive season coupled with re-stocking of inventory (as GST impact subsiding) helped drive the volume growth of Asian Paints (APL) by 9% YoY (decorative segment) in Q2FY18. Additionally, the price hike to tune of ~5% helped in sales growth of ~14% YoY. However, the automotive coating JV (PPG-AP) witnessed subdued demand in the auto OEM and general industrial business segment. Under overseas operation, Nepal, Bangladesh, Oman and Bahrain witnessed healthy topline growth
- Despite the price hike, APL recorded ~370 bps decline in gross margin on account of a change in product mix and use of higher cost inventory (TiO2 price was up 19% YoY). However, cost rationalisation measures and higher operating leverage helped save other expenses (declined ~316 bps YoY) leading to flattish EBITDA margin. Adjusted with one-time gain net profit increased ~8% YoY

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 ~89% of its topline from the decorative segment while the rest comes from the industrial segment. We believe paint companies will be key beneficiaries of the government's key reforms like implementation of GST and pay hike. While the Seventh Pay Commission has boosted the disposable income of 1.4 crore government employees, GST would reduce tax arbitrage for the unorganised segment (25-30% 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 15% in FY17-19E led by volume growth owing to capacity addition, strong demand for decorative paints from tier II, tier III cities and shorter repainting cycle.

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 previously. 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 (TiO2) prices. With stabilisation of crude oil prices in FY17-18, we believe there would be a slight consolidation in the EBITDA margin (still higher than historical level). Asian Paints, being the market leader, has the capability to retain benefits by taking a price hike. As a result, we believe the margin would remain at an elevated level for FY17-19E.

Fairly valued; recommend HOLD

We believe the company will record sales CAGR of 15% in FY17-19E led by estimated volume CAGR of 12%. We believe that 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 a CAGR of ~ 12% for FY17-19E. 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 positives with earnings multiple of 52x and 44x FY18E and FY19E, respectively. We maintain our **HOLD** recommendation on the stock with a revised target price of ₹ 1241 per share.

Variance analysis

	Q2FY18	Q2FY18E	Q2FY17	YoY (%)	Q1FY18	QoQ (%)	Comments
Revenue	4,274.2	4,557.7	3,757.7	13.7	3,809.8	12.2	Domestic performance was led by festive demand and restocking of inventory. Overseas business recorded a muted performance led by Egypt and Ethiopia wherein sales were hurt by devaluation of currency and raw material constraint
Other Income	53.4	83.1	79.3	-32.6	78.3	-31.8	Lower other income on account of lower investment income
Raw Material Exp	2,504.2	2,301.6	2,063.7	21.3	2,181.2	14.8	As raw material prices have moved up over the last two quarters, gross margin of the company declined ~367 bps YoY. However, to offset rising raw material cost, the company took a price hike of ~5%
Employee Exp	282.2	287.1	266.3	6.0	286.2	-1.4	
Manufacturing & Other exp	686.7	729.2	722.3	-4.9	676.9	1.4	Operating leverage (owing to higher volume growth) coupled with rationalisation of cost helped reduce other overheads during Q2
EBITDA	801.1	756.6	705.4	13.6	665.5	20.4	
EBITDA Margin (%)	18.7	16.6	18.8	-3 bps	17.5	128 bps	Flattish EBITDA margin during Q2FY17
Depreciation	88.9	90.5	83.3	6.8	90.5	-1.8	
Interest	8.8	8.0	5.9	48.9	8.0	10.2	
Exceptional items	67.5	0.0	5.5	1,126.7	2.5	2,566.8	Divestment of entire stake in Lewis Berger Ltd UK (holding company for three subsidiaries in the Caribbean region) resulted in profit of ₹ 67.5 crore during Q2
PBT	824.3	741.2	701.0	17.6	647.9	27.2	
Total Tax	245.9	233.5	220.0	11.8	216.0	13.8	
PAT	593.7	522.2	494.8	20.0	440.8	34.7	Adjusted for one-time gain, PAT grew ~7.5% YoY owing to higher sales growth

Key Metrics							Q
Volume growth (%)	9.0	6.5	10.2		2.0		Post GST transition, re-stocking of inventory at dealer's level coupled with festive demand helped achieve strong volume growth during Q2
Realisation growth (%)	5.0	1.4	-1.8		3.0		Price hike in March 2017 and May 2017 to the the extent of ~5% helped in higher realisation during the period

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	FY18E			FY19E			Comment
	Old	New	% Change	Old	New	% Change	
Revenue	18,840.1	18,864.7	0.1	22,659.2	22,821.5	0.7	We have marginally tweaked our revenue estimate for FY18E and FY19E considering the performance of Q2FY18. We have modelled volume CAGR of 12% in FY17-19E supported addition of new capacity. We have modelled a moderate price hike (~3% YoY) during the same period considering increase input prices
EBITDA	3,127.5	3,214.4	2.8	3,802.3	3,899.3	2.6	
EBITDA Margin %	16.6	17.0	44bps	16.8	17.1	29bps	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	2152.4	2264.3	5.2	2575.0	2645.4	2.7	
EPS (₹)	22.4	23.6	5.2	26.8	27.6	2.7	

Source: Company, ICICIdirect.com Research

Assumptions

			Current		Earlier		Comments
	FY16E	FY17E	FY18E	FY19E	FY18E	FY19E	
Volume Growth (%)	10.5	13.1	8.3	15.8	8.3	15.8	Volume growth (at 12% CAGR in FY17-19E) was largely driven by sustained demand from tier II and tier III cities coupled with addition of new capacity. In additon, volumes would also get a boost from higher disposable income 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)	3.5	3.0	3.5	3.0	

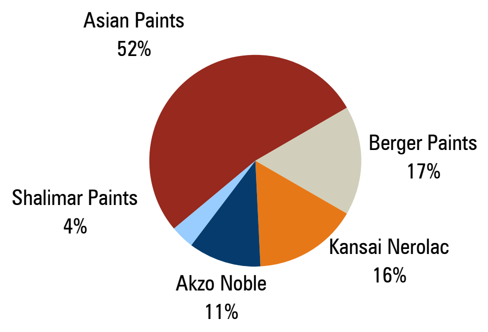
Source: Company, ICICIdirect.com Research

Company Analysis

Consistent performance, strong correlation with GDP growth

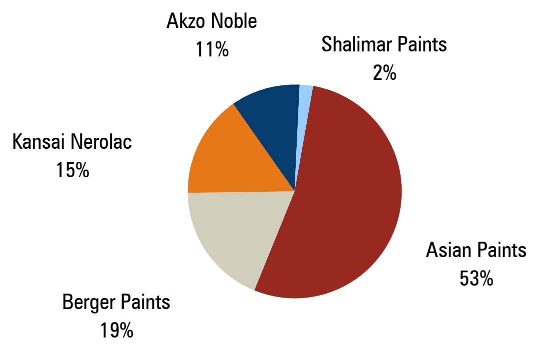
Asian Paints (APL) has maintained its industry leadership position in FY16 among top five players (i.e. Berger Paints, Kansai Nerolac, Akzo Nobel and Shalimar Paints) with a market share of 53%. The company is followed by Berger Paints with ~17% and Kansai Nerolac with ~16%. Historically, there exists 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 45,000 across India (~27,000 dealers with tinting machines), 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

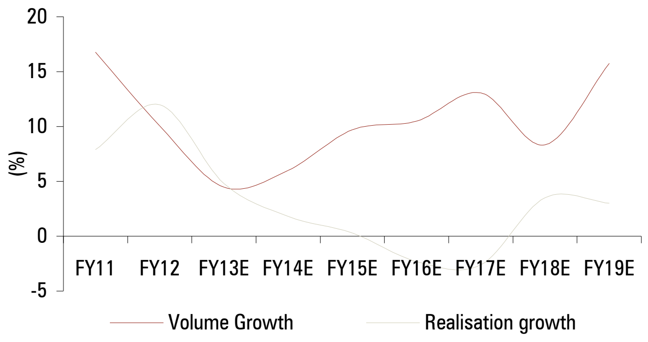
During FY17, expansion work at the Rohtak plant in Haryana is set to double the capacity from the existing 2,00,000 KL per annum to 4,00,000 KL per annum. It was successfully completed. For the future expansion plan, the company will be setting up a paint manufacturing plant with a capacity of 5,00,000 KL in phases at Vishakhapatnam in Andhra Pradesh at an investment of ~₹ 1,785 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 each) 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

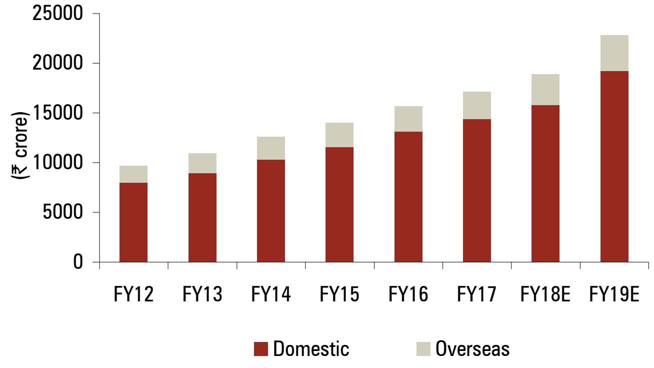
We believe paint companies will be key beneficiaries of the government's key reforms like implementation of GST and pay hike. While the Seventh Pay Commission will boost the disposable income of 1.4 crore government employees, GST would reduce tax arbitrage for the unorganised segment (25-30% of total 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 15% in FY17-19E led by volume growth owing to capacity addition and demand for decorative paints remaining intact from tier II and tier III cities (due to shorter repainting cycle).

Exhibit 3: Expect volume CAGR of 12% in FY17-19E



Source: Company, ICICIdirect.com Research

Exhibit 4: Sales growth at 15% CAGR in FY17-19E



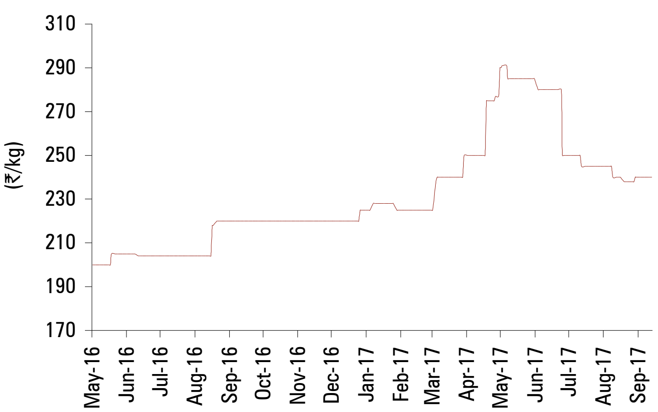
Source: Company, ICICIdirect.com Research

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 (TiO_2)]. 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 TiO_2 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.

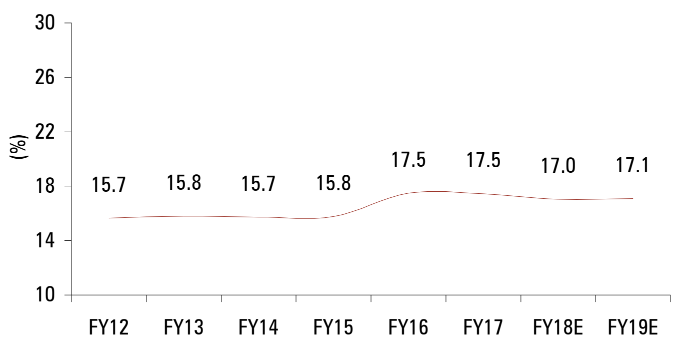
Raw material prices have remained benign in the last few years, helping an expansion in gross margin by ~338 bps in FY15-16. However, a spike in raw material prices coupled with one-time event such as demonetisation, implementation of GST had impacted volume growth of the company. With stabilisation of crude oil prices in FY17-18, we believe there would be a slight consolidation in the EBITDA margin (still higher than historical level). Asian Paints being the market leader has the capability to retain benefits by taking a price hike. As a result, we believe the margin would remain at an elevated level for FY17-19E.

Exhibit 5: Stabilising raw material cost (Tio2 Prices)



Source: Company, ICICIdirect.com Research

Exhibit 6: Regular price hike to help in margin expansion

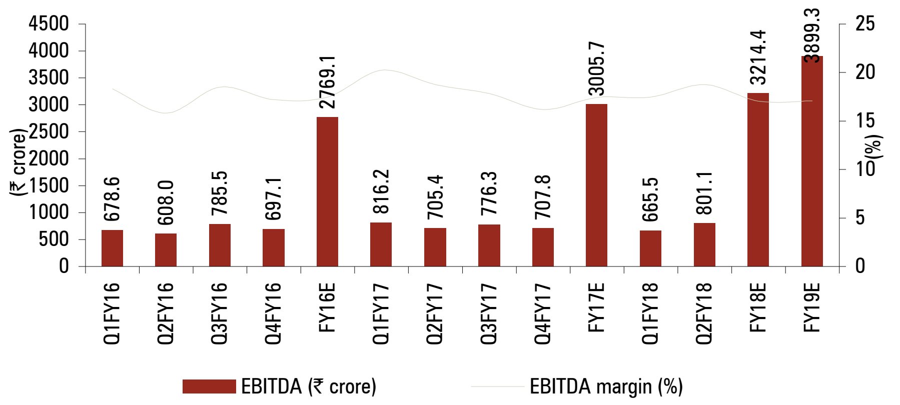


Source: Company, ICICIdirect.com Research

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 improve rural income) would be a strong trigger for the paint industry. It is evident from 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 decorative paints. As the phenomenon continues, this would also help the industry command higher margins, going forward.

Exhibit 7: Price hike at regular interval to support EBITDA margin (FY17-19E)

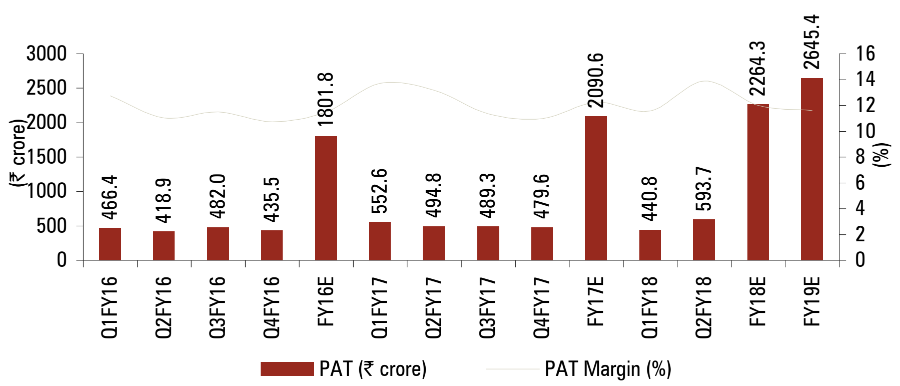


Source: Company, ICICIdirect.com Research

PAT to record CAGR of 12% in FY17-19E

We believe PAT is likely to record a CAGR of 12% in FY17-19E, supported by sales CAGR of 15% 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 500000 KL plant at Andhra Pradesh and 600000 KL plant in Karnataka.

Exhibit 8: PAT likely to grow at 12% CAGR in FY17-19E



Source: Company, ICICIdirect.com Research

Key conference call takeaways…

- Asian Paint's decorative volume growth (of ~ 9%YoY) in Q2 was better than poor volume growth in Q1 (of ~2%) due to GST transition. However, Asian Paints witnessed continued pressure through July and August (related to GST transition) while demand improvement started from September with GST-related issues starting to be settled. Also, the company has not taken any price hike post GST implementation (under the GST regime paint companies come under 28% slab, which is higher by ~100 bps prior to GST)
- Q2FY18 results include the performance of Causeway Paints Lanka (Pvt) Ltd (acquired 100% controlling stake on April 3, 2017),
- In the international business, units in Nepal, Bangladesh, Oman and Bahrain witnessed good topline growth whereas the situation in Egypt and Ethiopia remains challenging owing to currency devaluation. This had impacted overall international operations
- The automotive coatings JV (PPG-AP), witnessed subdued demand in the auto OEM and general industrial business segment. However, the performance of industrial coatings JV (AP-PPG) was satisfactory
- The home improvement business recorded good growth in sales during Q2FY18 (kitchen business and bath business) compared to Q1FY18
- Almost all dealers of Asian Paints are now GST compliant. The company had restricted supply to dealers who were non-compliant with GST. It has a dealer network of ~50000 across India while the total paint dealers in India is over 1.5 lakh
- The company has outlined a capex of ₹ 1200 crore during FY18 of which ~₹ 1000 crore would be for the two upcoming plants in Mysuru and Vizag

Annual report key takeaways (FY17)…

- The business portfolio of Asian Paints mainly includes two segments i.e. paints and home improvements. Paint contributes ~98% to the topline while being a newer segment home improvement contributes ~2% at present
- Under paints segment, Asian Paints remained a market leader in the decorative paint segment with over 50% market share in the organised category. Decorative paint contributes ~89% in total paint revenue while 11% of revenue comes from industrial paints
- The international business contributed ~13% to consolidated sales. With revenue contribution of 52%, Middle East & Africa is the largest contributor in the international sales followed by Asia, Caribbean and South pacific countries respectively.
- APL recorded paint volume growth of ~9% YoY (I-direct estimate) in FY17 led by decorative paint business in India. Volume growth was impacted by demonetisation impact in Q3FY17
- There was a cumulative price decline of ~1.4% in FY17 vs. increase of 2% in FY16
- The Khandala plant had subsidy income of ₹ 136.5 crore during FY17 (₹ 134.2 crore in FY16)
- Rohtak (Haryana) plant capacity expansion from 200,000 KL per annum to 400,000 KL per annum successfully completed in FY17
- Work on two greenfield paint manufacturing facilities at Mysuru and Vishakhapatnam is on schedule
    - Proposed to set up 4,00,000 KL plant at Vishakhapatnam in Andhra Pradesh at an investment of ~₹ 1750 crore
    - Proposed to set up 6,00,000 KL plant at Mysuru in Karnataka at an investment of ~₹ 2300 crore
- Both projects are on track to achieve the capacity of 3,00,000 KL per annum each in the first phase
- The company is also in the process of seeking statutory approvals for expanding the paint production capacity at Ankaleshwar from 1,30,000 KL per annum to 3,00,000 KL per annum and augment the resin and emulsion capacity from 32,000 MT per annum to 85,000 MT per annum
- The company has over 45000 dealers across India. During FY16, APL opened a multi-category décor store called "AP Homes" in Coimbatore. The company further plans to scale up the count by opening new stores in South and North India
- Under the home improvement category (contributes ~2% to the topline), the company operates in the kitchen business (through Sleek) and bath fitting business (through ESS ESS). Sleek operates in two segments namely 'Kitchen Components' and 'Full Kitchen Solutions'. It operates the same through a network of distributors, dealers and retail stores. Under the Kitchen component category, APL has added 1000 sub dealers during FY17. This takes the total count of sub dealers at 3200. On the full kitchen category, the company has added 40 new dealers during FY17. The total count is now at 117
- Sleek recorded sales growth of 15% YoY to ₹ 156 crore with PBIT loss of ₹ 18.5 crore during FY17. On the other hand, ESS ESS recorded strong revenue growth of ~42% YoY to ₹ 150.3 crore during FY17, led by addition of dealer network across India. Improved operational efficiency led to a substantial reduction in PBIT losses to ₹ 18.5 from ₹ 30.2 crore recorded during FY16

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.

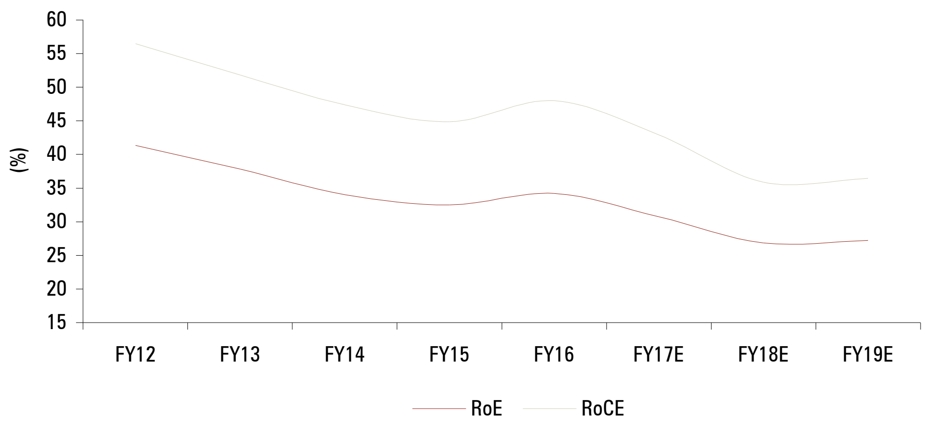
Despite an EBITDA margin erosion by ~142 bps due to lower operating leverage (higher fixed cost) and RoE on a declining trend, the stock commanded average one year forward earnings multiple of 30x. We model revenue, earning CAGR of ~15%, ~12%, respectively. We estimate volume CAGR of 12% and limited realisation growth (CAGR 3%) in FY17-19E 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 the CMP, the stock is discounting all near term positives with earnings multiple of 52x and 44x FY18E and FY19E, respectively. We maintain our **HOLD** rating on the stock with a revised target price of ₹ 1241 per share.

Exhibit 9: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	15841.7		18.8		64.7	41.5	34.2	48.0
FY17	17223.1	8.7	21.8	16.0	55.8	38.3	30.7	42.9
FY18E	18864.7	9.5	23.6	8.3	51.5	35.9	26.8	35.9
FY19E	22821.5	21.0	27.6	16.8	44.1	29.5	27.2	36.5

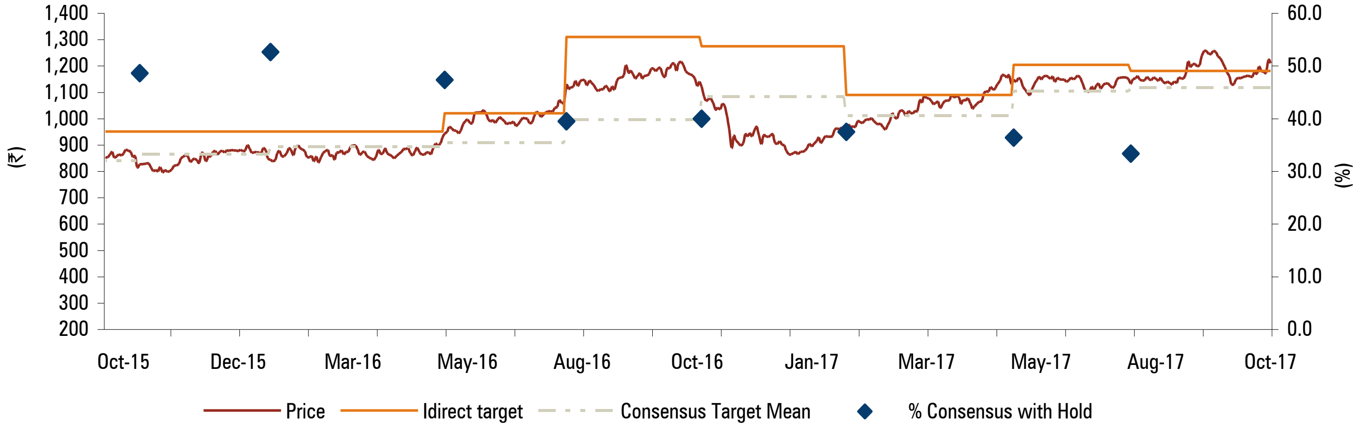
Source: Company, ICICIdirect.com Research

Exhibit 10: Lighter balance sheet to help drive return ratios



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.	30-Jun-17	5.6	54.1	0.0
2	Life Insurance Corporation of India	30-Jun-17	5.6	53.3	8.2
3	Isis Holding & Trading Company Pvt. Ltd.	30-Jun-17	5.5	52.9	0.0
4	Geetanjali Trading & Investments Pvt. Ltd.	30-Jun-17	5.1	49.3	0.0
5	Teesta Retail Pvt. Ltd.	30-Jun-17	4.9	47.0	47.0
6	Elcid Investments, Ltd.	30-Jun-17	3.0	28.3	0.0
7	Vakil (Abhay Arvind)	30-Jun-17	2.4	23.3	0.0
8	Gujarat Organics Ltd	30-Jun-17	2.4	22.8	0.0
9	Sudhanava Investments & Trading Company Pvt. Ltd.	30-Jun-17	2.0	19.0	0.0
10	Rupen Investment & Industries Pvt. Ltd.	30-Jun-17	2.0	18.8	0.0

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
Promoter	52.8	52.8	52.8	52.8	52.8
Institutions	26.3	25.6	25.7	25.9	26.1
Others	20.9	21.6	21.5	21.3	21.1

Recent Activity

Buys			Sells		
Investor name	Value(m)	Shares(m)	Investor name	Value(m)	Shares(m)
Teesta Retail Pvt. Ltd.	802.1	47.0	Nomura Asset Management Co., Ltd.	-20.7	-1.1
Life Insurance Corporation of India	140.8	8.2	Lyxor Asset Management	-18.2	-1.0
J O Hambro Capital Management Limited	21.4	1.3	Handelsbanken Asset Management	-14.8	-0.9
RBC Investment Management (Asia) Ltd.	8.0	0.4	Amundi Asset Management	-8.3	-0.5
Tata Asset Management Limited	6.7	0.4	Aberdeen Asset Management (Asia) Ltd.	-5.5	-0.3

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	18,864.7	22,821.5
Growth (%)		8.7	9.5	21.0
Raw Material Expenses	8,049.7	8,430.6	9,953.2	13,171.2
Employee Expenses	989.5	1,086.3	1,320.5	1,597.5
Marketing Expenses	1,523.2	1,195.9	1,320.5	1,369.3
Administrative Expenses	476.7	341.7	603.7	639.0
Other expenses	2,765.9	3,029.4	2,452.4	2,145.2
Total Operating Expenditure	13,072.6	15,601.0	15,650.4	18,922.2
EBITDA	2,769.1	3,005.7	3,214.4	3,899.3
Growth (%)	23.9	8.5	6.9	21.3
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	2,898.9	2,980.5	3,566.0
Total Tax	844.4	948.0	838.2	980.6
PAT	1,801.8	2,090.6	2,264.3	2,645.4
Growth (%)	29.1	16.0	8.3	16.8
EPS (₹)	18.8	21.8	23.6	27.6

Source: Company, ICICIdirect.com Research

Cash flow statement				₹ Crore
(Year-end March)	FY16	FY17E	FY18E	FY19E
Profit before Tax	2,628.4	2,989.0	3,047.9	3,566.0
Add: Depreciation	288.0	338.8	376.1	441.1
(Inc)/dec in Current Assets	251.7	-943.3	-764.8	-1,059.2
Inc/(dec) in CL and Provisions	0.0	68.4	620.3	743.0
Others	-19.4	227.8	143.1	125.8
Tax Paid	-815.4	-948.0	-838.2	-980.6
CF from operating activities	2,333.3	1,393.9	2,208.2	2,395.0
(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	-813.7	-231.4	228.3
Opening Cash	204.4	420.4	656.5	425.1
Closing Cash	420.4	656.5	425.1	653.4

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	7,580.7	8,694.0	10,092.4
Total Shareholders funds	5,605.3	7,676.7	8,789.9	10,188.4
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	2,358.1	2,916.1
Other CL	2,226.3	1,962.0	2,147.0	2,332.0
Total Liabilities	10,143.3	12,494.2	14,272.7	16,459.1
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	2,882.1	3,486.6
Debtors	1,248.3	1,446.6	1,572.1	1,901.8
Cash & Bank	420.4	656.5	425.1	653.4
Loans & Advances	289.0	17.8	262.0	317.0
Other Current Assets	1,839.0	2,292.2	2,432.2	2,502.2
Total Assets	10,143.2	12,494.1	14,272.6	16,459.1

Source: Company, ICICIdirect.com Research

Key ratios				
(Year-end March)	FY16	FY17E	FY18E	FY19E
Per share data (₹)				
EPS	18.8	21.8	23.6	27.6
Cash EPS	21.3	24.8	27.0	31.6
BV	58.4	80.0	91.6	106.2
DPS	7.5	10.3	12.0	13.0
Cash Per Share	43.8	68.4	44.3	68.1
Operating Ratios (%)				
EBITDA Margin	17.5	17.5	17.0	17.1
PBT / Total Operating income	16.7	17.5	16.2	15.6
PAT Margin	11.5	12.2	12.0	11.6
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	30.7	26.8	27.2
RoCE	48.0	42.9	35.9	36.5
RoIC	30.4	29.1	27.8	29.5
Valuation Ratios (x)				
P/E	64.7	55.8	51.5	44.1
EV / EBITDA	41.5	38.3	35.9	29.5
EV / Net Sales	7.3	6.7	6.1	5.0
Market Cap / Sales	7.4	6.8	6.2	5.1
Price to Book Value	20.8	15.2	13.3	11.4
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	EPS (₹) FY18E	EPS (₹) FY19E	P/E (x) FY17E	P/E (x) FY18E	P/E (x) FY19E	EV/EBITDA (x) FY17E	EV/EBITDA (x) FY18E	EV/EBITDA (x) FY19E	RoCE (%) FY17E	RoCE (%) FY18E	RoCE (%) FY19E	RoE (%) FY17E	RoE (%) FY18E	RoE (%) FY19E
Asian Paints (ASIPAI)	1,216	1,241	Hold	116,639	21.8	23.6	27.6	55.8	51.5	44.1	38.3	35.9	29.5	32.7	29.9	31.1	27.2	25.8	26.0
Astral Polytecnik (ASTPOL)	744	720	Buy	7,832	12.1	15.9	20.6	54.2	41.0	31.7	30.2	23.7	18.9	21.3	21.8	23.3	17.2	17.4	18.5
Bajaj Electricals (BAJELE)	397	380	Buy	3,272	10.8	13.1	19.0	30.4	25.1	17.3	15.2	14.4	10.5	16.7	17.8	22.5	12.4	14.0	17.5
Havells India (HAVIND)	513	550	Hold	32,006	8.6	11.5	15.3	59.4	44.7	33.6	36.7	29.5	21.9	23.0	27.1	29.5	17.4	20.3	22.2
Kansai Nerolac (KANNER)	492	540	Buy	26,030	9.4	10.8	12.7	51.5	44.6	38.1	35.6	30.2	25.6	26.2	28.3	28.9	18.0	19.6	20.0
Pidilite Industries (PIDIND)	796	890	Buy	41,319	16.8	17.4	20.8	47.9	46.4	38.8	31.7	30.8	25.9	33.0	31.4	32.8	24.9	23.7	24.8
Essel Propack (ESSPRO)	272	270	Hold	4,194	12.5	12.6	15.3	21.4	21.2	17.4	11.4	9.8	8.4	17.7	16.3	18.3	17.8	13.9	15.0
Supreme Indus (SUPIND)	1,124	1,285	Buy	13,973	33.7	36.3	40.4	32.6	30.3	27.2	18.5	17.7	15.3	30.0	30.7	33.3	25.3	26.4	26.2
Symphony (SYMLIM)	1,401	1,430	Buy	8,325	23.7	30.5	37.7	50.3	39.1	31.5	41.1	30.9	24.7	48.4	47.7	54.2	36.1	36.1	40.9
V-Guard Ind (VGUARD)	196	165	Hold	7,559	3.6	3.6	4.4	49.8	49.0	40.1	34.7	34.9	28.5	32.3	28.6	29.1	23.8	22.1	22.5
Voltas Ltd (VOLTAS)	537	600	Buy	17,893	15.5	17.2	22.6	35.0	31.5	24.0	30.3	28.7	20.0	21.5	23.3	27.1	15.5	17.8	19.9

Source: Company, ICICIdirect.com Research

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