

Paints

Sequential volume recovery

Reason for report: Q2FY18 results preview

Paint companies reported muted volume growth in Q1FY18 due to destocking in the channels during GST transition in Jun'17. In Q2FY18, our channel checks suggest sequential improvement in volumes, albeit not fully recovered as GST concerns still persist among certain dealers. East and North markets continue to stage relatively stronger performance while South continues to report low single-digit volume growth post GST implementation. While the company managements remain positive about strong growth in Q2FY18, our interactions with dealers suggest a slower recovery. This could be due to inventory restocking by dealers post GST implementation while consumer offtakes remain soft. Overall, we expect decorative paint volumes to post soft sequential improvement in Q2FY18.

Industry leader Asian Paints is expected to post decorative paint volume growth of 6-7% YoY. We expect relatively strong growth for Berger Paints (9-10% YoY) and Kansai Nerolac (10-11% YoY) while Akzo Nobel is likely to post 5-6% YoY growth. Despite aggregate price hikes of ~6% in Feb'17 and May'17, value differential could be lower at ~2% due to deteriorating sales mix. We expect value growth at 8% for Asian Paints and Akzo Nobel, and a stronger 12-13% for Berger Paints and Kansai Nerolac. We expect a stronger H2FY18 due to the ongoing festive season and a lower base given demonetisation.

Raw material prices have largely remained stable in Q2FY18. We expect margins to either remain stable or improve sequentially for all paint companies in Q2FY18. On a YoY basis, we expect gross margin contraction of 75-175bps and EBITDA margin contraction of 35-70bps for all paint companies (except Kansai Nerolac). We expect Kansai Nerolac to report a sharper YoY decline (gross margin down 213bps, EBITDA margin down 161bps) due to a higher base in Q2FY17. We expect modest bottom line growth of 1-5% in Q2FY18 (except Berger with 11% increase). Pidilite, though not a pure-play paint company, has similar demand dynamics as the paint sector. We expect Pidilite to post sales growth of 6.5% YoY. EBITDA margin is expected to contract by 114bps (VAM prices are up 25.5% YoY in Q2FY18).

We remain positive on the paints sector with a strong double-digit volume growth forecast for the next few years. We maintain Kansai Nerolac and Berger Paints as our top picks.

- **Expect sequential improvement in decorative paint volume growth in Q2FY18:** While company managements remain positive of strong growth, our interactions with dealers suggest a slower recovery. East and North markets continued their healthy growth while South continues to report low single-digit volume growth. Overall, our channel checks suggest soft sequential improvement in decorative volume growth in Q2FY17. Industry leader Asian Paints is likely to post decorative paints volume growth of 6-7%, slightly impacted by the persistent slowdown in South. However, we expect healthy volume growth for Berger Paints (9-10%) and Kansai Nerolac (10-11%) in the decorative segment. We expect Akzo Nobel to post 5-6% decorative volume growth in Q2FY18.

Quarterly estimates

Company (Rs mn)	Sales			EBITDA			PAT		
	% Chg			% Chg			% Chg		
	JAS'17	YoY	QoQ	JAS'17	YoY	QoQ	JAS'17	YoY	QoQ
Asian Paints (cons)	45,667	7.9	8.0	7,561	6.0	13.6	4,809	1.0	13.2
Berger (cons)	14,239	12.0	4.4	1,952	9.2	5.4	1,243	10.8	10.2
Kansai	12,811	13.0	(3.2)	2,058	3.8	(0.7)	1,429	2.6	1.5
Akzo	8,215	8.0	3.8	697	0.3	4.7	439	5.5	11.7
Pidilite (cons)	16,210	6.5	(2.9)	3,184	1.1	(0.8)	2,254	(2.8)	(0.5)

JAS'17: Jul-Sep'17; Source: Company data, I-Sec research

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- **Lower than expected value growth differential:** All paint companies announced consecutive price hikes of ~3.0% in Feb'17 and ~2.8% in May'17. However, our channel checks suggest deteriorating sales mix for the quarter as sale of low-value products grew at a higher pace. This could imply lower than expected value differential at ~2% in Q2FY18. We expect value growth at 8% for Asian Paints and Akzo Nobel, and a stronger growth at 12-13% for Berger Paints and Kansai Nerolac.
- **Stable raw material price trend:** Though raw material prices have inched up on a YoY basis, they have largely remained stable in Q2FY18. While titanium dioxide (TiO₂) saw a steep rise in the past two quarters, it receded this quarter (down 8% QoQ). Although volatile, crude oil prices are stable sequentially and up low single-digit on a YoY basis. We expect margins to either remain stable or improve sequentially for all paint companies in Q2FY18. On a YoY basis, we expect gross margin contraction of 75-175bps and EBITDA margin contraction of 35-70bps for all paint companies, except Kansai Nerolac. We expect Kansai Nerolac to report a sharper YoY decline (gross margin down 213bps, EBITDA margin down 161bps) due to a higher base in Q2FY17.
- **Modest earnings growth:** We expect the sector to post modest earnings growth in the range of 1-5% YoY in Q2FY18 (except Berger with 11% increase). We estimate Pidilite to post PAT decline of 2.8% YoY primarily due to margin contraction.
- **Stronger H2FY18 ahead:** As against the historical double-digit volume growth in the sector, volume growth in H1FY18 has remained tepid due to GST transition. However, we expect steady pickup in volumes with the ongoing festive demand. Given the lower base of Q3FY16 due to demonetisation, volume growth is expected to be strong in H2FY18. We expect paint companies to close FY18 with high single-digit or low double-digit volume growth.

Table 1: Valuation summary

	CMP (Rs)	Target Price	Rating	EPS (Rs)			PER (x)			EV/EBITDA (x)		
				FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
Asian Paints (cons)	1,153	1,128	HOLD	21.3	25.8	31.2	54.2	44.7	37.0	33.7	27.9	23.1
Berger (cons)	256	274	ADD	5.0	6.1	7.5	51.7	41.9	34.1	31.6	25.6	21.1
Kansai	488	475	ADD	10.8	12.8	15.4	45.3	38.1	31.6	30.6	25.6	21.2
Akzo	1,870	1,853	HOLD	53.0	63.3	74.8	35.3	29.5	25.0	23.3	19.4	16.0
Pidilite (cons)	795	860	ADD	17.6	21.3	25.1	45.0	37.3	31.6	30.7	25.8	22.0

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)	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18E
Asian Paints (cons)	38,397	42,452	40,538	40,317	42,325	43,540	43,722	42,283	45,667
Berger (cons)	11,797	12,346	11,433	12,461	12,714	12,966	12,364	13,635	14,239
Kansai	10,755	10,698	9,937	11,906	11,338	11,438	10,629	13,241	12,811
Akzo	7,113	7,981	7,114	7,792	7,607	8,130	7,816	7,913	8,215
Pidilite (cons)	13,955	14,205	13,148	16,913	15,220	14,372	14,043	16,693	16,210

Source: Company data, I-Sec research

Table 3: Sales growth trend comparison

(%YoY)	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18E
Asian Paints (cons)	4.0	13.9	12.3	8.9	10.2	2.6	7.9	4.9	7.9
Berger (cons)	5.7	8.8	8.6	10.6	7.8	5.0	8.1	9.4	12.0
Kansai	5.2	9.1	10.3	7.4	5.4	6.9	7.0	11.2	13.0
Akzo	8.2	8.9	14.4	9.1	6.9	1.9	9.9	1.6	8.0
Pidilite (cons)	5.2	11.4	18.9	9.1	9.1	1.2	6.8	-1.3	6.5

Source: Company data, I-Sec research

Table 4: Gross margin trend comparison

(%)	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18E
Asian Paints (cons)	42.8	43.4	45.3	47.1	44.5	44.0	43.7	42.8	43.8
Berger (cons)	40.5	42.4	44.0	44.4	43.9	41.8	42.2	40.6	42.5
Kansai	36.9	37.5	39.7	40.1	42.7	41.5	41.3	39.8	40.6
Akzo	43.1	43.1	44.3	44.3	45.2	43.2	43.3	41.4	43.4
Pidilite (cons)	51.5	51.4	55.2	52.3	53.2	53.2	53.1	51.7	50.0

Source: Company data, I-Sec research

Table 5: EBITDA margin trend comparison

(%)	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18E
Asian Paints (cons)	17.7	20.5	19.0	22.8	18.9	19.7	18.1	17.4	18.4
Berger (cons)	14.3	17.2	15.1	17.4	15.6	15.6	14.5	14.8	15.2
Kansai	16.4	14.7	15.5	17.8	19.8	18.0	17.4	17.7	18.2
Akzo	8.9	11.9	13.7	13.9	10.1	14.2	11.0	9.3	9.4
Pidilite (cons)	22.4	21.6	19.3	25.1	22.3	21.5	19.9	21.0	21.2

Source: Company data, I-Sec research

Table 6: Raw material price trend comparison

(Rs mn)	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18E
Crude Oil (US\$/bbl)	46.9	42.3	33.6	45.6	45.0	49.3	52.0	48.2	48.1
% YoY	-51.9	-42.3	-31.2	-21.2	-3.9	16.4	54.5	5.8	6.7
Crude Oil (Rs/bbl)	3,041	2,786	2,268	3,050	3,015	3,321	3,480	3,112	3,091
% YoY	-48.5	-38.6	-25.5	-16.9	-0.8	19.2	53.4	2.0	2.5
TiO2 (Rs/kg)	215.55	214.19	208.39	214.80	218.70	222.22	235.61	271.92	249.29
% YoY	-10.0	-7.5	-4.8	0.5	1.5	3.7	13.1	26.6	14.0
VAM (US\$/mt)	1,241	1,238	1,208	1,206	1,079	1,001	1,091	1,281	1,354
% YoY	-29.8	-20.2	2.0	-5.2	-13.0	-19.2	-9.7	6.2	25.5

Source: Bloomberg, I-Sec research

Table 7: PAT trend comparison

(Rs mn)	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18E
Asian Paints (cons)	4,037	5,215	4,187	5,331	4,759	4,662	4,587	4,249	4,809
Berger (cons)	893	1,114	920	1,203	1,123	1,091	1,055	1,129	1,243
Kansai	983	861	840	1,265	1,393	1,240	1,162	1,408	1,429
Akzo	351	610	615	643	416	686	688	393	439
Pidilite (cons)	2,040	1,988	1,687	2,700	2,318	2,024	1,569	2,265	2,254

Source: Company data, I-Sec research

Table 8: PAT growth trend comparison

(%YoY)	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18E
Asian Paints (cons)	14.9	40.1	19.0	17.5	17.9	-10.6	9.5	-20.3	1.0
Berger (cons)	32.7	34.8	59.7	54.5	25.7	-2.0	14.7	-6.1	10.8
Kansai	33.0	28.6	33.2	32.9	41.8	44.0	38.3	11.3	2.6
Akzo	14.6	5.2	17.8	37.5	18.5	12.5	11.8	-38.9	5.5
Pidilite (cons)	38.9	48.2	82.9	16.1	13.6	1.8	-7.0	-16.1	-2.8

Source: Company data, I-Sec research

Table 9: I-Sec vs consensus Q2FY18 estimates

	Sales			EBITDA			PAT		
	I-Sec	Consensus	% Diff.	I-Sec	Consensus	% Diff.	I-Sec	Consensus	% Diff.
Asian Paints (cons)	45,667	43,926	4.0	7,561	8,036	-5.9	4,809	5,308	-9.4
Berger (cons)	14,239	13,498	5.5	1,952	2,078	-6.1	1,243	1,218	2.1
Kansai	12,811	12,579	1.8	2,058	NA	NA	1,429	1,558	-8.3
Akzo	8,215	8,387	-2.1	697	NA	NA	439	479	-8.4
Pidilite (cons)	16,210	16,000	1.3	3,184	3,653	-12.8	2,254	2,795	-19.4

Source: Bloomberg, I-Sec research

Table 10: Raw material prices

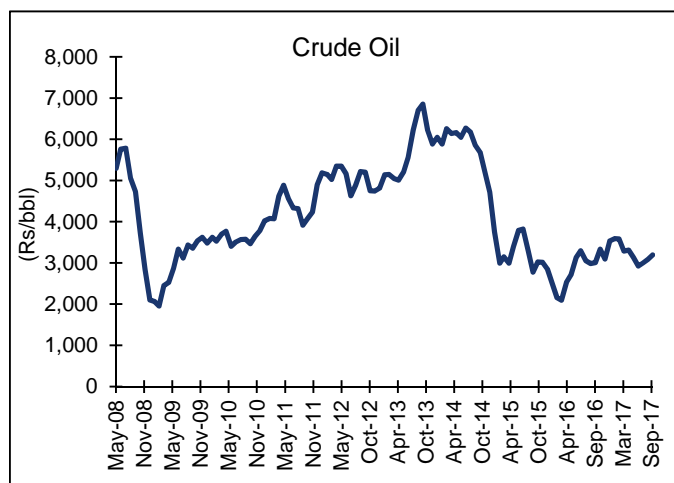
Raw Material	Q2FY18 change (%YoY)	Q2FY18 change (%QoQ)
Titanium Oxide	14.0	-8.3
Crude Oil (INR)	2.5	-0.6
Crude Oil (USD)	6.7	-0.3
Vinyl Acetate Monomer	25.5	5.8
Turpentine Oil	-9.9	-6.6
Polyacetals & Epoxy*	4.3	0.6
PVC Plastic	-10.5	-10.9
Tin	5.9	2.7

Source: Bloomberg, I-Sec research

* Reflects price change till Aug'17-end

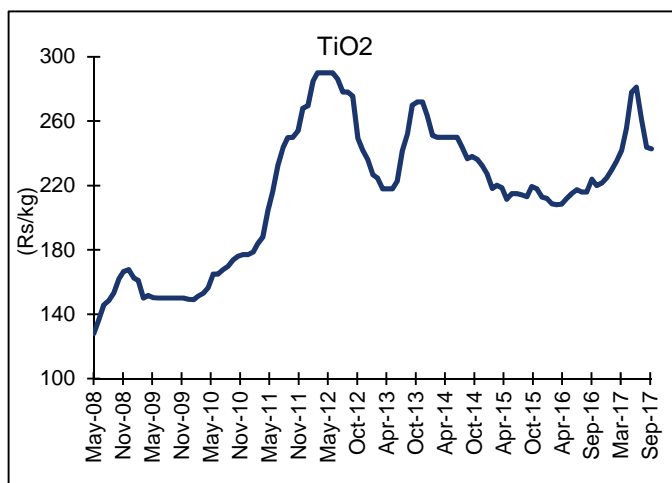
Key raw material price movement

Chart 1: Crude oil price movement



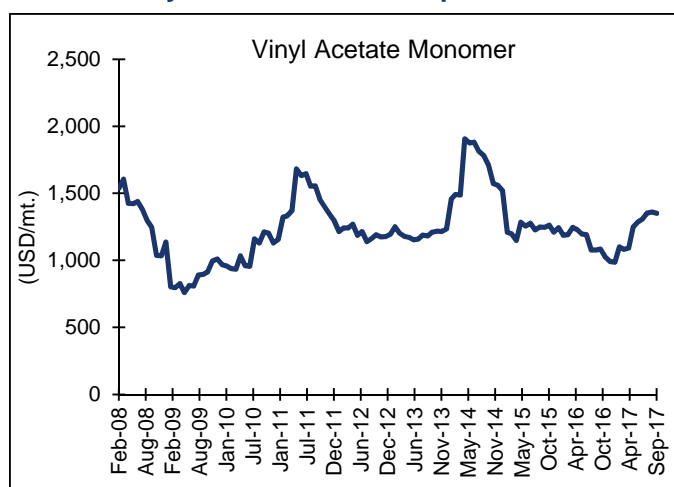
Source: Bloomberg, I-Sec research

Chart 2: Titanium dioxide (TiO₂) price movement



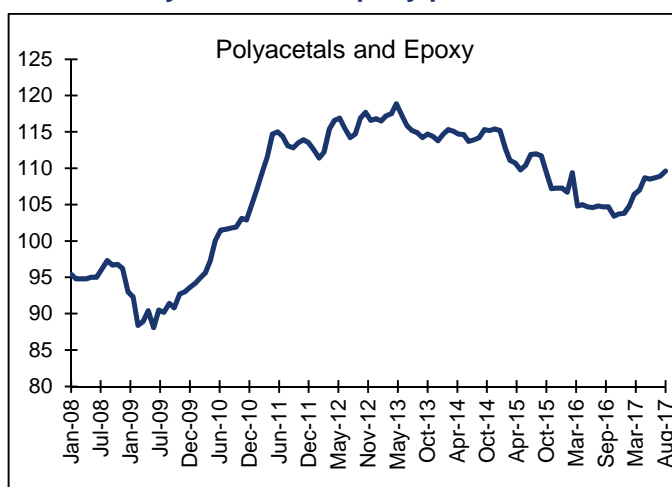
Source: Bloomberg, I-Sec research

Chart 3: Vinyl Acetate Monomer price movement



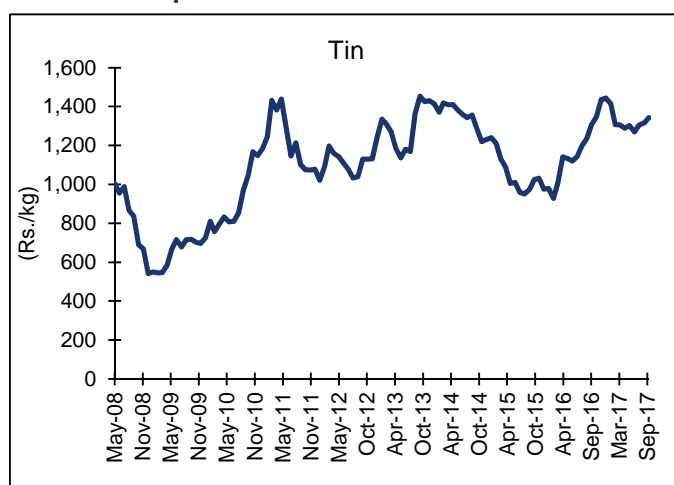
Source: Bloomberg, I-Sec research

Chart 4: Polyacetals and epoxy price movement



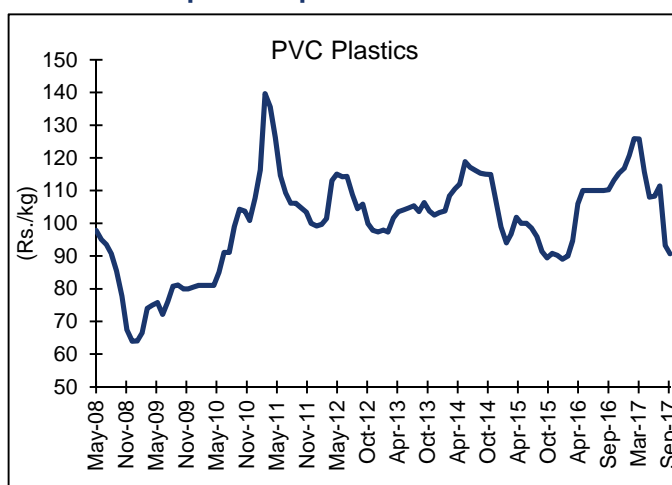
Source: Bloomberg, I-Sec research

Chart 5: Tin price movement



Source: Bloomberg, I-Sec research

Chart 6: PVC plastics price movement

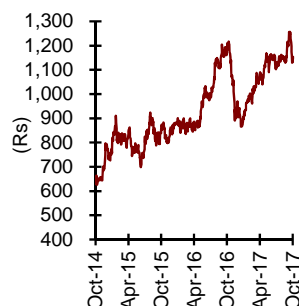


Source: Bloomberg, I-Sec research

Asian Paints (HOLD)

(QoQ chg: 4.0%; YTD chg: 29.4%)

Price chart



Financial highlights

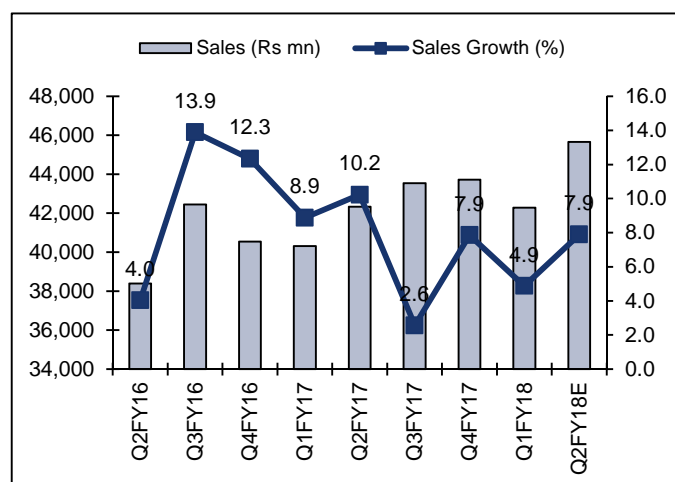
Consolidated (Rs mn)	Q2FY18E	Q2FY17	% YoY	Q1FY18	% QoQ
Net revenues	45,667	42,325	7.9	42,283	8.0
Raw materials	23,108	20,876	10.7	21,812	5.9
% of sales*	56.2	55.5	75 bps	57.2	-95 bps
Excise duty	4,567	4,691	(2.7)	4,130	10.6
% of gross sales	10.0	11.2	-120 bps	9.8	23 bps
Employee costs	3,017	2,794	8.0	2,862	5.4
% of sales*	7.3	7.4	-8 bps	7.5	-16 bps
Other expenditure	7,415	6,834	8.5	6,825	8.7
% of sales*	18.0	18.2	-12 bps	17.9	15 bps
Total expenditure	38,106	35,195	8.3	35,629	7.0
EBITDA	7,561	7,130	6.0	6,654	13.6
EBITDA margin (%)	18.4	18.9	-55 bps	17.4	96 bps
Other income	839	791	6.0	783	7.1
PBDIT	8,400	7,921	6.0	7,437	12.9
Depreciation	911	844	8.0	905	0.6
PBIT	7,489	7,078	5.8	6,532	14.6
Interest	75	60	24.2	80	(5.8)
PBT	7,414	7,017	5.6	6,452	14.9
Tax	2,446	2,207	10.8	2,160	13.2
% of PBT	33	31	4.9	33	(1.4)
PAT before associates & MI	4,967	4,810	3.3	4,292	15.7
Share of profit from associates	115	138	(16.5)	90	27.5
Minority interest	273	188	45.0	133	104.7
Extraordinary	-	-	-	25	(100.0)
Reported PAT	4,809	4,759	1.0	4,274	12.5
Adjusted PAT	4,809	4,759	1.0	4,249	13.2
EPS (Rs)	5.0	5.0	1.0	4.4	13.2

Source: Company data, I-Sec research

*Costs as a percentage of sales net of excise duty

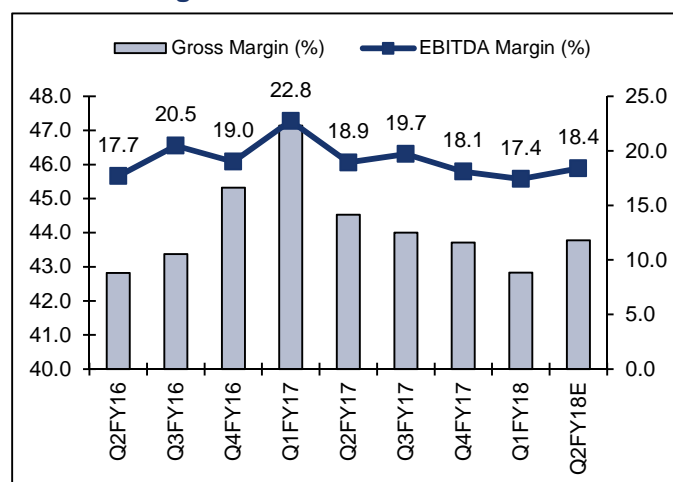
- We expect topline to grow by 7.9% driven by decorative paints volume growth of 6-7%.
- EBITDA margin is expected to go down by 55bps YoY driven by gross margin contraction of 75bps YoY due to raw material price increase.
- Adjusted PAT is expected to increase by 1.0% YoY driven by sales growth, partially offset by margin contraction.

Chart 7: Sales trend



Source: Company data, I-Sec research

Chart 8: Margins trend

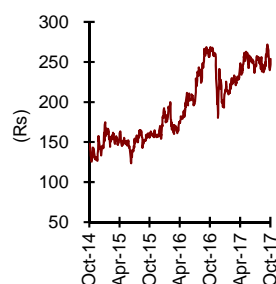


Source: Company data, I-Sec research

Berger Paints (ADD)

(QoQ chg: 4.9%; YTD chg: 21.7%)

Price chart



Financial highlights

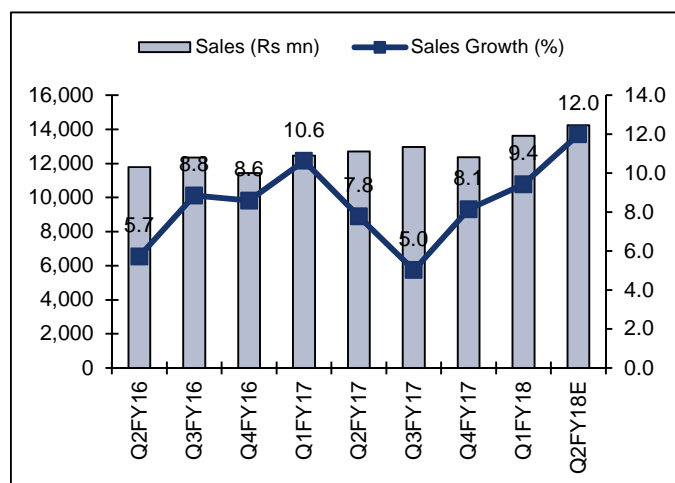
Consolidated (Rs mn)	Q2FY18E	Q2FY17	% YoY	Q1FY18	% QoQ
Net revenues	14,239	12,714	12.0	13,635	4.4
Raw materials	7,376	6,435	14.6	7,409	(0.5)
% of sales*	58	56	141 bps	59	-188 bps
Employee costs	834	758	10.0	838	(0.5)
% of sales*	6.5	6.6	-11 bps	6.7	-22 bps
Excise duty	1,419	1,248	13.7	1,164	21.9
% of gross sales	10	10	15 bps	9	146 bps
Other expenditure	2,659	2,485	7.0	2,373	12.0
% of sales*	21	22	-93 bps	19	171 bps
Total expenditure	12,287	10,926	12.5	11,784	4.3
EBITDA	1,952	1,788	9.2	1,851	5.4
EBITDA margin (%)	15.2	15.6	-37 bps	14.8	38 bps
Other income	202	184	10.0	135	49.6
PBDIT	2,153	1,971	9.2	1,986	8.4
Depreciation	295	273	8.2	305	(3.1)
PBIT	1,858	1,699	9.4	1,682	10.5
Interest	40	51	(20.9)	28	43.4
PBT	1,818	1,648	10.3	1,654	10.0
Tax	600	730	(17.7)	556	8.0
% of PBT	33	44	-1126 bps	34	-61 bps
Extraordinary	-	442	-	-	-
PAT	1,218	1,361	(10.5)	1,098	11.0
Share in associates	25	27	(8.1)	31	(19.4)
Reported PAT	1,243	1,388	(10.4)	1,129	10.2
Adjusted PAT	1,243	1,123	10.8	1,129	10.2
Adjusted EPS (Rs)	1.3	1.2	10.8	1.2	10.2

Source: Company data, I-Sec research

*Costs as a percentage of sales net of excise duty

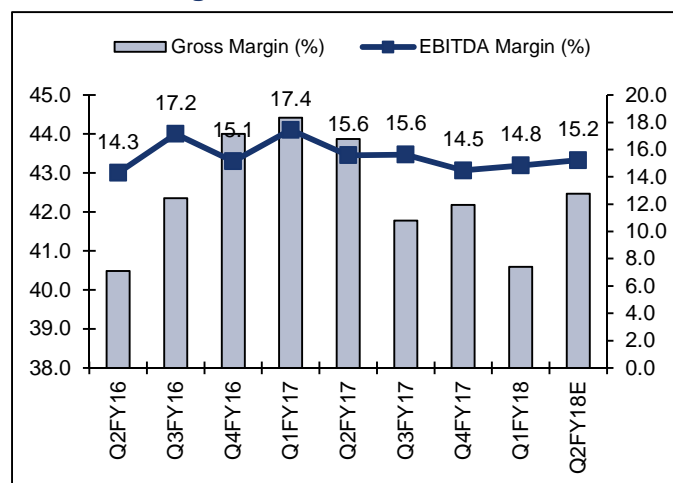
- We expect topline to grow by 12.0% YoY driven by 9-10% decorative paints volume growth.
- EBITDA margin is expected to be down 37bps YoY driven by gross margin contraction of 141bps YoY due to raw material price increase.
- Adjusted PAT after minority interest is likely to be up 10.8% YoY.

Chart 9: Sales trend



Source: Company data, I-Sec research

Chart 10: Margins trend

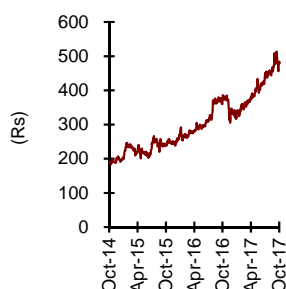


Kansai Nerolac (ADD)

(QoQ chg: 9.2%; YTD chg: 53.0%)

Financial highlights

Price chart



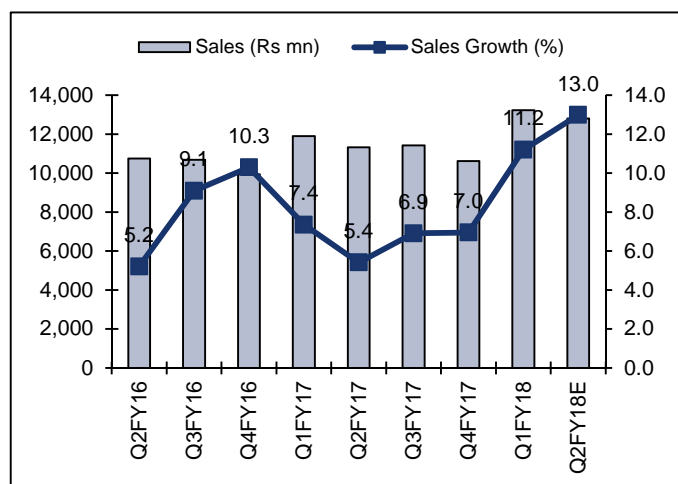
Standalone (Rs mn)	Q2FY18E	Q2FY17	% YoY	Q1FY18	% QoQ
Net revenues	12,811	11,338	13.0	13,241	(3.2)
Raw materials	6,726	5,739	17.2	7,069	(4.9)
% of sales*	59	57	213 bps	60	-83 bps
Employee costs	554	495	12.0	532	4.2
% of sales*	4.9	4.9	-4 bps	4.5	36 bps
Excise Duty	1,488	1,317	13.0	1,504	(1.1)
% of gross sales	11	11	-9 bps	10	16 bps
Other expenditure	1,985	1,805	10.0	2,063	(3.8)
% of sales*	18	18	-48 bps	18	-4 bps
Total expenditure	10,753	9,355	14.9	11,168	(3.7)
EBITDA	2,058	1,983	3.8	2,073	(0.7)
EBITDA margin (%)	18.2	19.8	-161 bps	17.7	51 bps
Other income	250	294	(14.9)	199	25.8
PBDIT	2,308	2,277	1.4	2,272	1.6
Depreciation	175	172	2.0	181	(3.0)
PBIT	2,133	2,105	1.3	2,091	2.0
Interest	-	-	NA	-	NA
PBT	2,133	2,105	1.3	2,091	2.0
Tax	704	712	(1.1)	683	3.1
% of PBT	33	34	-81 bps	33	34 bps
PAT	1,429	1,393	2.6	1,408	1.5
Extraordinary items	-	-	-	-	-
Reported PAT	1,429	1,393	2.6	1,408	1.5
Adjusted PAT	1,429	1,393	2.6	1,408	1.5
EPS (Rs)	2.7	2.6	2.6	2.6	1.5

Source: Company data, I-Sec research

*Costs as a percentage of sales net of excise duty

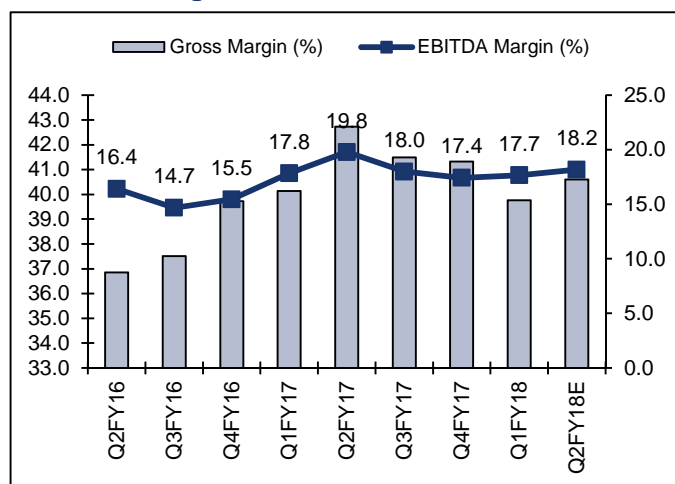
- We expect topline to grow by 13.0% driven by 10-11% decorative paints volume growth.
- EBITDA margin is expected to decline by 161bps YoY driven by gross margin contraction of 213bps YoY. The decline is mainly attributable to a higher base in Q2FY17, which witnessed peak margins due to raw material price benefit.
- PAT is likely to rise 2.6% YoY, impacted by the expected margin contraction.

Chart 11: Sales trend



Source: Company data, I-Sec research

Chart 12: Margins trend

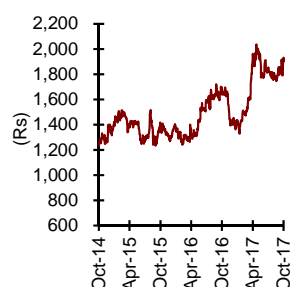


Akzo Nobel (HOLD)

(QoQ chg: 1.0%; YTD chg: 33.4%)

Financial highlights

Price chart



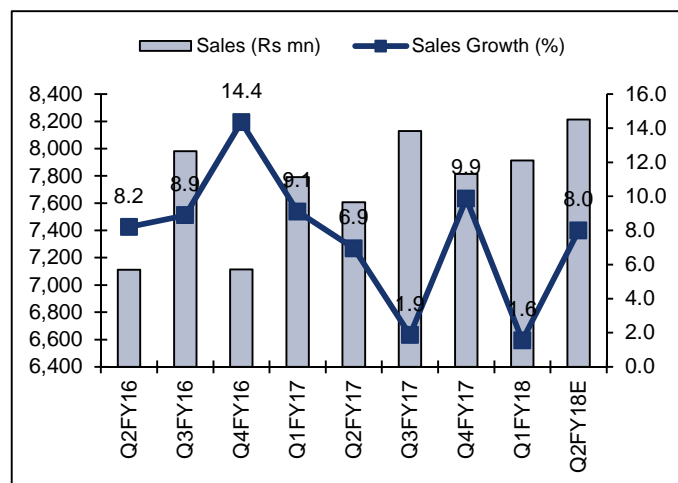
Standalone (Rs mn)	Q2FY18E	Q2FY17	% YoY	Q1FY18	% QoQ
Net revenues	8,215	7,607	8.0	7,913	3.8
Raw materials	4,189	3,770	11.1	4,188	0.0
% of sales*	56.6	54.8	176 bps	58.6	-200 bps
Employee costs	725	671	8.0	701	3.5
% of sales*	9.8	9.8	3 bps	9.8	-1 bps
Excise Duty	812	732	10.9	764	6.3
% of gross sales	10.0	9.7	26 bps	9.7	25 bps
Other expenditure	1,792	1,740	3.0	1,594	12.4
% of sales*	24.2	25.3	-110 bps	22.3	190 bps
Total expenditure	7,518	6,913	8.8	7,247	3.7
EBITDA	697	694	0.3	666	4.7
EBITDA margin (%)	9.4	10.1	-69 bps	9.3	10 bps
Other income	116	115	1.0	68	71.1
PBDIT	813	809	0.4	733	10.8
Depreciation	145	134	8.0	147	(1.2)
PBIT	668	675	(1.1)	587	13.8
Interest	3	4	(28.6)	5	(33.3)
PBT	665	671	(0.9)	582	14.2
Tax	226	255	(11.3)	189	19.3
% of PBT	34.0	38.0	-399 bps	32.5	146 bps
PAT	439	416	5.5	393	11.7
Minority interest	-	-	-	-	-
PAT after MI	439	416	5.5	393	11.7
Extraordinary items	-	-	-	20	-
Reported PAT	439	416	5.5	413	6.3
EPS (Rs)	9.4	8.9	5.5	8.8	6.3

Source: Company data, I-Sec research

*Costs as a percentage of sales net of excise duty

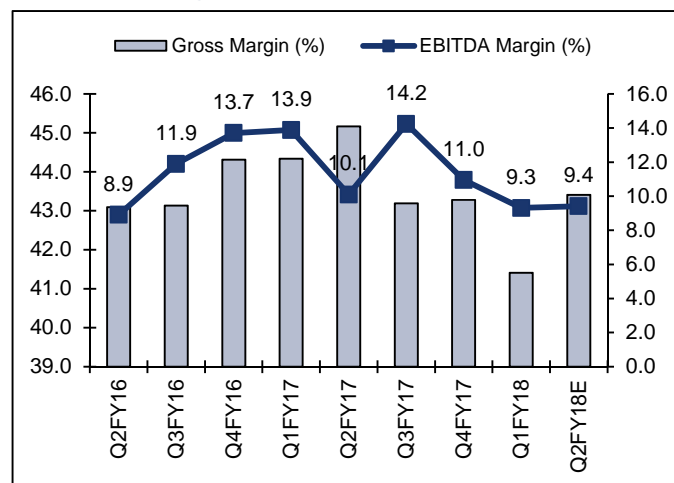
- We expect topline to grow by 8.0% driven by 5-6% volume growth.
- EBITDA margin is expected to shrink by 69bps YoY due to gross margin contraction of 176bps YoY.
- PAT after minority interest is expected to be up 5.5% YoY.

Chart 13: Sales trend



Source: Company data, I-Sec research

Chart 14: Margins trend

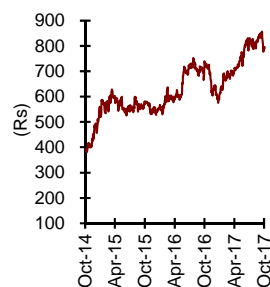


Pidilite (ADD)

(QoQ chg: -3.1%; YTD chg: 34.7%)

Financial highlights

Price chart

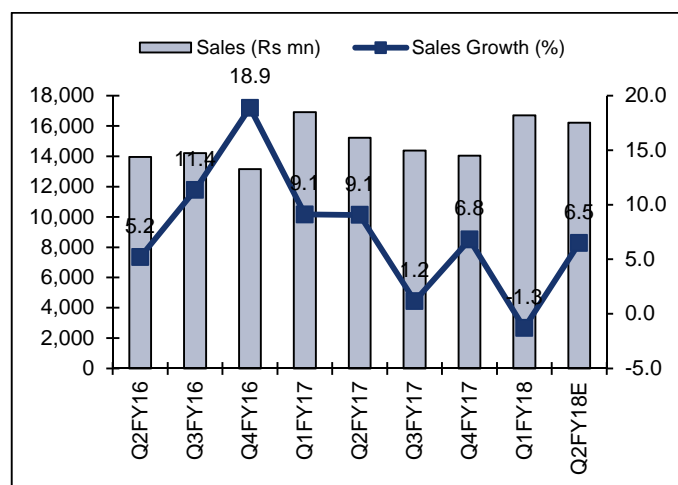


(Rs mn)	Q2FY18E	Q2FY17	% YoY	Q1FY18	% QoQ
Net revenues	16,210	15,220	6.5	16,693	-2.9
EBITDA	3,184	3,151	1.1	3,210	-0.8
EBITDA margin (%)	21.2	22.3	-114 bps	21.0	21 bps
Depreciation and amortisation	(310)	(303)	2.3	(313)	-0.8
EBIT	2,874	2,848	0.9	2,897	-0.8
EBIT Margin (%)	19.1	20.2	-106 bps	18.9	19 bps
Net Interest expenses	0	(38)	-100.0	(37)	-100.0
Other NO income, net	340	324	5.0	432	-21.3
Earnings before tax	3,214	3,209	0.2	3,292	-2.4
Income taxes	(964)	(912)	5.8	(1,033)	-6.6
Income tax as % of PBT	30.0	28.4	159 bps	31.4	-136 bps
Profits in associate	4	9	-57.4	5	-24.5
Earnings after tax	2,254	2,307	-2.3	2,265	-0.5
Non-recurring items	0.0	0.0	n.m.	0.0	n.m.
Net income (loss), adjusted	2,254	2,318	-2.8	2,265	-0.5
Net Margin (%)	15.0	16.4	-143 bps	14.8	19 bps
Shares outstanding	512.7	512.7		512.7	
EPS	4.40	4.52	-2.8	4.42	-0.5

Source: Company data, I-Sec research

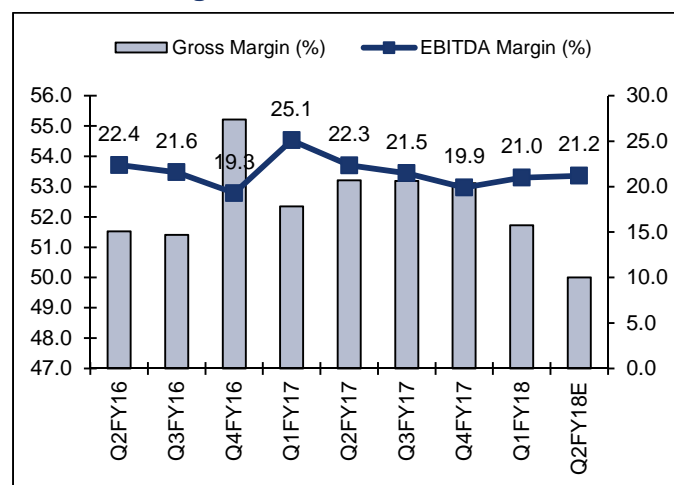
- We expect topline to grow by 6.5% YoY.
- However, due to contraction in margin by 114bps YoY as raw material costs increase, EBITDA is expected to be up 1.1% YoY.
- PAT is expected to decline marginally by 2.8% YoY.

Chart 15: Sales trend



Source: Company data, I-Sec research

Chart 16: Margins trend



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