



Asian Paints

Q3FY11: FIRST CUT

- Consolidated revenue at Rs 21 bn (up 30% YoY), EBITDA at Rs 3.4 bn (up 8% YoY) and PAT at Rs 2.2 bn (up 11% YoY) in Q3FY11. Earnings growth for this quarter is below street and our expectations.
- Sales growth in decorative paints was strong at 37% YoY in Q3FY11, led by stocking up of inventory by dealers ahead of price hikes. The consolidated revenue growth for 9MFY11, at 19.5%, is above our full year revenue growth of 14% YoY.
- High cost pressure impacted gross profit margin (down 340 bps), despite a total of 11% price hike YTD. Thus EBITDA margin is at the lowest level, at 16.4%, in 7 quarters. Our EBITDA margin for FY11E stands at 18%.
- We are unlikely to make a significant change our estimates. Currently our FY11E & FY12E EPS stands at Rs. 89.1 (13% YoY growth) & Rs. 108.2 (21% YoY growth) respectively.
- The stock currently trades at 24.2x FY12E EPS. Our target price of Rs 2,380 implies a 9% downside from CMP of Rs. 2,622.
- We will release a detailed note post the earnings conference call. (25th Jan 2011, 10:30 am IST, Dial in: +91 22 3065 0148)

Results update

(Rs mn)	Quarter ended				
	Dec-10	Dec-09	% Chg	Sep-10	% Chg
Net Sales	20,996	16,200	29.6	18,108	15.9
EBITDA	3,449	3,180	8.5	3,315	4.1
Other income	194	167	16.1	249	(22.2)
PBIDT	3,643	3,347	8.8	3,564	2.2
Depreciation	286	197	45.8	284	0.8
Interest	59	79	(26.1)	46	28.3
PBT	3,298	3,071	7.4	3,234	2.0
Tax	974	955	2.0	984	(1.0)
Minority Interest	120	133	(9.2)	103	17.0
Adjusted PAT	2,203	1,984	11.1	2,147	2.6
Extra ordinary income/ (exp.)	(0)	2	(104.8)	(0)	0.0
Reported PAT	2,203	1,986	10.9	2,147	2.6
No. of shares (mn)	96	96	-	96	-
EBITDA margin (%)	16.4	19.6	-	18.3	-
PBIDT margin (%)	17.3	20.7	-	19.7	-
EPS - annualized (Rs.)	91.9	82.7	11.1	89.5	2.6

Source: Company, ENAM Research

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