

- Consolidated Net Sales up by 26% yoy to Rs9.9bn and PAT up by 39.9% yoy to Rs827mn.
- Standalone Net Sales for the quarter up by 27% yoy to Rs7.8bn from Rs6.1bn in Q2FY06.
- APAT for the quarter has grown by 26.8% yoy to Rs776mn from Rs612mn in Q2FY06.
- Sales from International Segment for the quarter have improved by 25% yoy to Rs1.6bn.

Financials Highlights

Period to	06/06	06/05	Growth	09/06	09/05	Growth	FY07E
(Rs mn)	(3)	(3)	(%)	(6)	(6)	(%)	(12)
Net sales	7,849	6,192	26.8	13,883	11,292	22.9	28,375
Expenditure	(6,646)	(5,186)	28.1	(11,741)	(9,558)	22.8	(23,480)
Operating profit	1,203	1,006	19.6	2,142	1,734	23.6	4,895
Other income	101	71	40.7	164	132	24.7	60
Interest	(18)	(9)	100.8	(31)	(14)	114.7	(55)
Depreciation	(115)	(113)	1.5	(224)	(224)	0.3	(440)
PBT	1,171	956	22.6	2,052	1,628	26.0	4,460
Tax	(394)	(326)	20.7	(694)	(557)	24.7	(1,507)
PAT	777	629	23.6	1,357	1,071	26.7	2,953
Extraordinary items	(2)	(17)	(90.3)	(1)	(16)	(91.6)	0.0
APAT	776	612	26.8	1,356	1,055	28.5	2952.5
OPM (%)	15.3	16.2	(0.9)	15.4	15.4	0.1	17.3
Equity	959.2	959.2	-	959.2	959.2	-	959.2
EPS (Rs) Annualized	32.4	26.2	-	28.3	22.3	-	30.8

The second quarter has seen a good growth in revenues due to an early Diwali. The Net Sales have grown by 26.8% yoy to Rs7.8bn from Rs6.1bn. To combat high raw material costs Asian Paints has hiked prices by nearly 3% across products in the first half which have been well absorbed by the market with no effect on demand. For the first half Net profit has increased by 28.5% yoy to Rs1,356mn from Rs1,055mn.

The margins for the quarter has marginally reduced by 90 basis points due to higher raw material prices, but for the half year the margins improved by a meager 10 basis points.

Segment Revenue

	Q2FY07	Q2FY06	Growth	H1FY07	H1FY06	Growth
Segments	(3)	(3)	(%)	(6)	(6)	(%)
Paints	7,686	6,039	27.3	13,602	10,966	24.0
Others	448	378	18.5	14,394	11,685	23.2
Total	8,134	6,417	26.8	27,996	22,652	23.6

The paints business has grown 27% in the quarter to a revenue of Rs7.6bn. It contributes 93% to the total sales.

Cost Analysis

Period	06/06	06/05	Inc/Dec	09/06	09/05	Inc/Dec
As % of net sales	(3)	(3)	(%)	(6)	(6)	(%)
Raw Material	58.9	57.2	1.7	57.8	58.2	(0.4)
Staff Cost	5.3	5.5	(0.3)	5.6	6.0	(0.4)
Other expenditure	20.5	21.0	(0.5)	21.2	20.5	0.7
Total	84.7	83.8	0.9	84.6	84.6	(0.1)

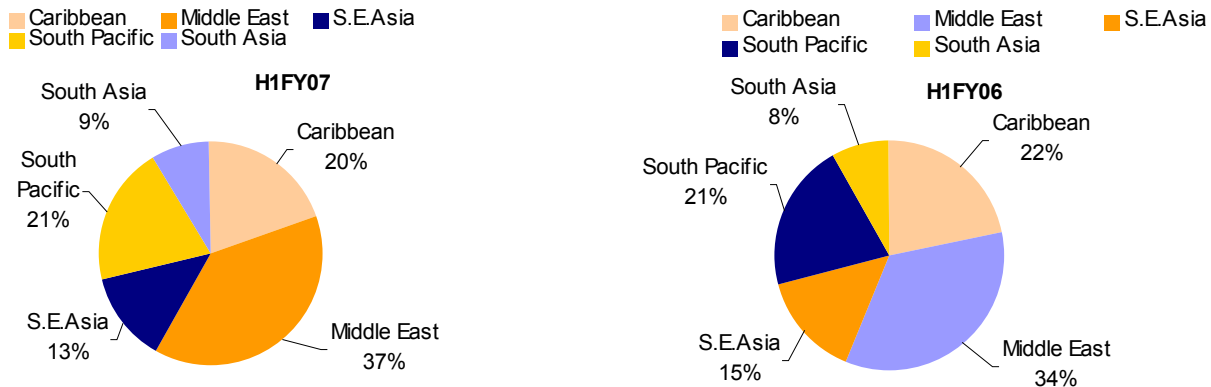
The raw material prices have seen an increase due to rising crude oil prices. The management has said that inventories and working capital are well under control. Rising freight charges also pose a problem.

Valuation

We expect the company's revenues to grow by 22% yoy in FY07. The third quarter may show some correction due to the early effects of Diwali but the standalone earnings per share should come upto Rs31 for the full year. Currently it is trading at a 21.7x multiple of FY07E earnings at a CMP of Rs668.

Consolidated Results

The Net consolidated sales are up by 26% yoy to Rs9.9bn from Rs7.9bn in Q2FY06. The operating profit for the quarter is up by 23% yoy to Rs1,342mn giving an OPM of 13.4%. All business units except chemicals recorded growth in excess of 20% in Q2FY07. But the chemical division recorded good profits due to higher price realization. The South Pacific and Caribbean regions are expected to show better profitability in the third and fourth quarters due to seasonality. The Middle east segment has shown a growth and amounted for 37% of the revenue from the international business. They are looking to streamline their international segment and will look at divesting loss making ventures if it makes business sense.



Outlook

The paint industry in the country is expected to grow 14-15% by value. The decorative paints demand may not grow as much as the first half as the season has been early this year. but automotive and industrial segments are expected to grow at a similar pace. Prices of raw material (mainly petro-based) and packing material like casting have and will increase. Freight cost will also increase. The price hikes have been so far absorbed by the market and the company feels that any further hikes due to increase in costs will also be absorbed not affecting the demand.

The company has a good control over their debt and for the first half of the year has Rs1,859mn cash on their books. Hence the company is open to avenues of organic as well as inorganic growth



India Infoline Result Update
Asian Paints Ltd (Q2 FY07)
CMP Rs667 October 31, 2006

Published in October 2006. © India Infoline Ltd 2006-07.

This report is for information purposes only and does not constitute any investment, legal or taxation advice. It is not intended as an offer or solicitation for the purchase and sale of any financial instrument. Any action taken by you on the basis of the information contained herein is your responsibility alone and India Infoline Ltd (hereinafter referred as IIL) and its subsidiaries or its employees or directors, associates will not be liable in any manner for the consequences of such action taken by you. We have exercised due diligence in checking the correctness and authenticity of the information contained herein, but do not represent that it is accurate or complete. IIL or any of its subsidiaries or associates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this publication. The recipients of this report should rely on their own investigations. IIL and/or its subsidiaries and/or directors, employees or associates may have interests or positions, financial or otherwise in the securities mentioned in this report.

India Infoline Ltd, 15th Floor, P.J. Tower, Fort, Mumbai- 01. Tel: 91-22-6749 1700

IT'S ALL ABOUT MONEY, HONEY!