


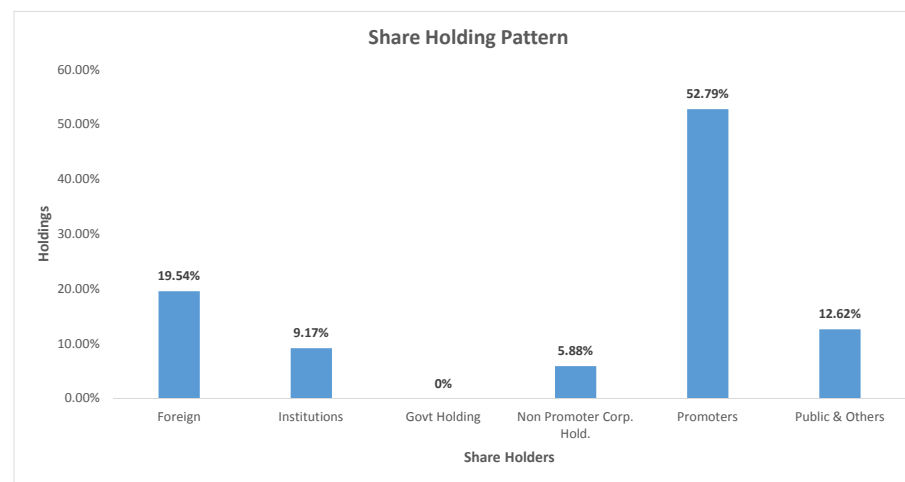
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|---|---|-------------------------|-------------------|-----------------------------|------------|----------------------------|------------|--------------------------------|------------------|---|-----------------|---------------------------|------------|--------------------------------------|--------------|--|---------------|
| <h2 style="text-align: center;">Research Report</h2> |  <p>Spearhead FinServe PRIVATE LIMITED A subsidiary of Spearhead Services Pvt Ltd</p> | | | | | | | | | | | | | | | | |
| <h2 style="text-align: center;">Asian Paints</h2> | <table> <tr> <td>Recommendation</td><td style="text-align: right;">Accumulate</td></tr> <tr> <td>Current Market Price</td><td style="text-align: right;">727</td></tr> <tr> <td>Target</td><td style="text-align: right;">800</td></tr> <tr> <td>Accumulation Price Band</td><td style="text-align: right;">690 - 730</td></tr> <tr> <td>Time Frame</td><td style="text-align: right;">6 Months</td></tr> <tr> <td>Derivative Segment</td><td style="text-align: right;">Yes</td></tr> </table> | Recommendation | Accumulate | Current Market Price | 727 | Target | 800 | Accumulation Price Band | 690 - 730 | Time Frame | 6 Months | Derivative Segment | Yes | | | | |
| Recommendation | Accumulate | | | | | | | | | | | | | | | | |
| Current Market Price | 727 | | | | | | | | | | | | | | | | |
| Target | 800 | | | | | | | | | | | | | | | | |
| Accumulation Price Band | 690 - 730 | | | | | | | | | | | | | | | | |
| Time Frame | 6 Months | | | | | | | | | | | | | | | | |
| Derivative Segment | Yes | | | | | | | | | | | | | | | | |
| <h2 style="text-align: center;">Industry : FMCG</h2> | <h3>Quick Glance</h3> <table> <tr> <td>Share Capital (Rs Cr)</td><td style="text-align: right;">95.92</td></tr> <tr> <td>Market Cap (Rs Cr)</td><td style="text-align: right;">69,594.00</td></tr> <tr> <td>Enterprise Value (Rs Cr)</td><td style="text-align: right;">69,633.51</td></tr> <tr> <td>Face Value (in Rs)</td><td style="text-align: right;">1.00</td></tr> <tr> <td>52 Week High/ Low (in Rs)</td><td style="text-align: right;">809.60 / 460.20</td></tr> </table> | Share Capital (Rs Cr) | 95.92 | Market Cap (Rs Cr) | 69,594.00 | Enterprise Value (Rs Cr) | 69,633.51 | Face Value (in Rs) | 1.00 | 52 Week High/ Low (in Rs) | 809.60 / 460.20 | | | | | | |
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| <h3>Company Overview</h3> <ul style="list-style-type: none"> Incorporated in the year 1945, Asian Paints is India's largest and Asia's third largest paint company, operating in two different segments namely Decorative Coatings and Industrial Coatings With the total installed paints capacity stands at 6, 44,000 KL and as a market leader with over 53% market share in India, the company carries over its operations along with its subsidiaries, through its manufacturing plants India and around 22 countries across the world Having the strongest retail network and distribution infrastructure among its competitors, the company caters to the needs of service customers in around 65 countries of the world generating an overall turnover of Rs. 96.32 billion | <h3>Financials</h3> <table> <tr> <td>EPS (Rs)</td><td style="text-align: right;">12.60</td></tr> <tr> <td>Book Value (Rs)</td><td style="text-align: right;">37.42</td></tr> <tr> <td>P/E</td><td style="text-align: right;">57.92</td></tr> <tr> <td>P/BV</td><td style="text-align: right;">19.44</td></tr> <tr> <td>ROE</td><td style="text-align: right;">32.47</td></tr> <tr> <td>ROCE (%)</td><td style="text-align: right;">50.32</td></tr> <tr> <td>Dividend Yeild (%)</td><td style="text-align: right;">0.73</td></tr> <tr> <td>Debt - Equity</td><td style="text-align: right;">0.02</td></tr> </table> | EPS (Rs) | 12.60 | Book Value (Rs) | 37.42 | P/E | 57.92 | P/BV | 19.44 | ROE | 32.47 | ROCE (%) | 50.32 | Dividend Yeild (%) | 0.73 | Debt - Equity | 0.02 |
| EPS (Rs) | 12.60 | | | | | | | | | | | | | | | | |
| Book Value (Rs) | 37.42 | | | | | | | | | | | | | | | | |
| P/E | 57.92 | | | | | | | | | | | | | | | | |
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| <h3>Industry Overview</h3> <ul style="list-style-type: none"> The Indian Paints and Coating Industry is valued at \$3.5 billion in terms of value and 2 million metric tons by volume. The current per capita consumption is 1.5 kilograms which is far lower than that of global and Asian per capita consumption of 20 kilograms and 5 kilograms respectively. The paint production for the the month of May 2014 grew by 2.4% yoy to 64528 tonnes carrying on the growth momentum of April 2014, which witnessed growth in output of 2.93% yoy. The output of paints (of all kind) stood lower by 0.55% (to 779405 tonnes) for 2013-14 carrying on the declining trend of 2012-13, where the output fell by 0.95% (to 783704 tonnes) Increase in customer knowledge about paint and aesthetics preferences, the demand for premium product is witnessing strong growth compared to economy or mid range paints. Currently premium products account for a fifth of the country organized decorative paints market and is expanding at a fast cliff of about 28-30% annually in last four years, in comparison to the economic growth at about 10-15% Indian paints majors are expected to see sustained growth in decorative volumes with gradual revival in demand from tier I cities as well as higher volumes from tier 2/3 cities on the back of increased penetration/market-presence. Better realization due to passing of escalation in cost to customers with sustained price hike and better product mix as well as cost efficiency are expected to facilitate better margin even though under recovery of newly commissioned plants or industrial coatings plants continue to put pressure | <h3>Highlights</h3> <table> <tr> <td>Debt (Rs Cr)</td><td style="text-align: right;">47.69</td></tr> <tr> <td>Reserves (Rs Crs)</td><td style="text-align: right;">3,505.01</td></tr> <tr> <td>FII Holdings (%)</td><td style="text-align: right;">18.14</td></tr> <tr> <td>MF Holdings (%)</td><td style="text-align: right;">1.26</td></tr> <tr> <td>Free Float Market Capitaliation (Rs Cr)</td><td style="text-align: right;">32,985.53</td></tr> <tr> <td>Beta</td><td style="text-align: right;">0.69</td></tr> <tr> <td>Avg Volume Per day (no. of shares)</td><td style="text-align: right;">1,658,909.00</td></tr> <tr> <td>Avg Volume Per Month (no. of shares)</td><td style="text-align: right;">18,855,044.00</td></tr> </table> | Debt (Rs Cr) | 47.69 | Reserves (Rs Crs) | 3,505.01 | FII Holdings (%) | 18.14 | MF Holdings (%) | 1.26 | Free Float Market Capitaliation (Rs Cr) | 32,985.53 | Beta | 0.69 | Avg Volume Per day (no. of shares) | 1,658,909.00 | Avg Volume Per Month (no. of shares) | 18,855,044.00 |
| Debt (Rs Cr) | 47.69 | | | | | | | | | | | | | | | | |
| Reserves (Rs Crs) | 3,505.01 | | | | | | | | | | | | | | | | |
| FII Holdings (%) | 18.14 | | | | | | | | | | | | | | | | |
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| Avg Volume Per Month (no. of shares) | 18,855,044.00 | | | | | | | | | | | | | | | | |
| <h3>Key Highlights</h3> <ul style="list-style-type: none"> The Company expects to add 1,500-2,000 new dealers every year to its already enviable network of ~35,000 dealers. The Company's planning on capacity building for the future is well on track, Rohtak plant, which was commissioned in April 2010 with an initial capacity of 1, 50,000 KL per annum, has now been expanded to 200,000 KL per annum, and can further be scaled to 4, 00,000 KL Asian Paints Ltd , Mauritius a wholly owned subsidiary of the Company had signed an agreement with the shareholders of Kadisco Paint and Adhesive Industry Share Company to acquire directly or indirectly through its subsidiaries, 51% of the equity share capital of Kadisco | | | | | | | | | | | | | | | | | |
| <h3>Key Risks</h3> <ul style="list-style-type: none"> Economic slowdown and rupee depreciation affect the demand and material cost there by impacting the overall profitability of the industry players. Increase in Competition | | | | | | | | | | | | | | | | | |

Financial Highlights

| Income Statement (Annual) | | | | | |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|---------------|
| Particulars (Rs Cr) | 2014 | 2013 | 2012 | 2011 | 2010 |
| Net Sales | 10,925.22 | 9,394.03 | 8,335.32 | 6,621.01 | 5,372.73 |
| EBITDA | 1,673.68 | 1,493.73 | 1,233.15 | 1,184.51 | 618.99 |
| EBITDA Margin | 15.98 | 16.03 | 16.38 | 17.03 | 20.51 |
| Depreciation | 212.32 | 126.98 | 99.49 | 94.48 | 60.74 |
| Interest | 28.97 | 33.93 | 31.31 | 16.34 | 19.10 |
| Other Income | 173.66 | 126.12 | 141.49 | 74.90 | 169.31 |
| PBT | 1,702.57 | 1,515.88 | 1,362.93 | 1,122.33 | 1,104.67 |
| APAT | 1,169.06 | 1,050.00 | 958.39 | 775.15 | 774.50 |
| PAT Margin (%) | 9.61 | 10.04 | 10.51 | 10.70 | 13.41 |
| Earnings Per Share | 11.33 | 101.72 | 93.43 | 75.59 | 76.23 |

| Income Statement (Quarterly) | | | | | | | | |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Particulars (Rs Cr) | 2013 | | | | 2012 | | | |
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Net Sales | 2,686.60 | 2,807.66 | 2,504.89 | 2,301.07 | 2,214.42 | 2,520.64 | 2,130.90 | 2,043.97 |
| EBITDA | 453.00 | 512.43 | 504.23 | 471.32 | 397.73 | 485.35 | 360.43 | 429.91 |
| EBITDA Margin | 16.86 | 18.25 | 20.13 | 20.48 | 17.96 | 19.26 | 16.91 | 21.03 |
| Depreciation | 53.83 | 53.99 | 51.52 | 52.99 | 40.12 | 30.08 | 29.43 | 27.35 |
| Interest | 8.78 | 6.39 | 6.15 | 4.76 | 6.85 | 5.97 | 9.97 | 7.77 |
| Other Income | 39.03 | 34.71 | 47.83 | 52.10 | 44.00 | 33.96 | 22.99 | 25.18 |
| PBT | 390.39 | 452.05 | 446.56 | 413.57 | 350.76 | 449.30 | 321.03 | 394.79 |
| APAT | 273.88 | 307.47 | 310.60 | 283.92 | 239.56 | 312.03 | 223.82 | 274.59 |
| PAT Margin (%) | 16.86 | 18.25 | 20.13 | 20.48 | 17.96 | 19.26 | 16.91 | 21.03 |
| Earnings Per Share | 2.78 | 3.21 | 3.24 | 2.96 | 24.97 | 32.53 | 2.33 | 28.63 |

| Balance Sheet | | | | | |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Particulars (Rs Cr) | 2014 | 2013 | 2012 | 2011 | 2010 |
| Equity Share Capital | 95.92 | 95.92 | 95.92 | 95.92 | 95.92 |
| Reserves and Surplus | 3,505.01 | 2,926.34 | 2,391.86 | 1,879.40 | 1,461.30 |
| Tangible Net Worth | 116.13 | 143.29 | 248.92 | 156.93 | 80.51 |
| Deferred Tax Liability : | 207.91 | 172.98 | 106.13 | 102.90 | 70.47 |
| Long Term Debt | 39.51 | 46.76 | 52.11 | 57.71 | 65.96 |
| ShortTerm Debt | 8.18 | 7.34 | 116.11 | 15.91 | 2.63 |
| Total Debt | 47.69 | 54.10 | 168.22 | 73.62 | 68.59 |
| Current Liabilities | 2,238.18 | 1,927.77 | 1,635.41 | 1,182.44 | 1,156.27 |
| Total Provisions | 537.48 | 423.55 | 355.07 | 476.77 | 304.17 |
| Total Liabilities | 3,728.98 | 3,153.63 | 2,724.78 | 2,120.33 | 1,625.81 |
| Gross Block | 2,981.09 | 2,862.31 | 1,659.51 | 1,611.22 | 1,194.39 |
| Net Fixed Assets | 2,012.20 | 2,101.89 | 1,009.04 | 1,057.19 | 707.46 |
| Investments | 1,030.19 | 449.70 | 542.22 | 547.83 | 703.69 |
| Current Assets | 2,935.94 | 599.94 | 470.91 | 453.36 | (118.16) |
| Deferred Tax Asset : | 30.84 | 29.65 | 25.38 | 27.40 | 22.57 |
| Receivables | 712.36 | 633.88 | 500.24 | 355.56 | 331.43 |
| Inventories | 1,480.79 | 1,480.79 | 1,264.42 | 1,071.76 | 763.14 |
| Cash | 745.36 | 566.86 | 500.97 | 509.01 | 28.60 |
| Total Assets | 3,728.98 | 3,153.63 | 2,724.78 | 2,120.33 | 1,625.81 |

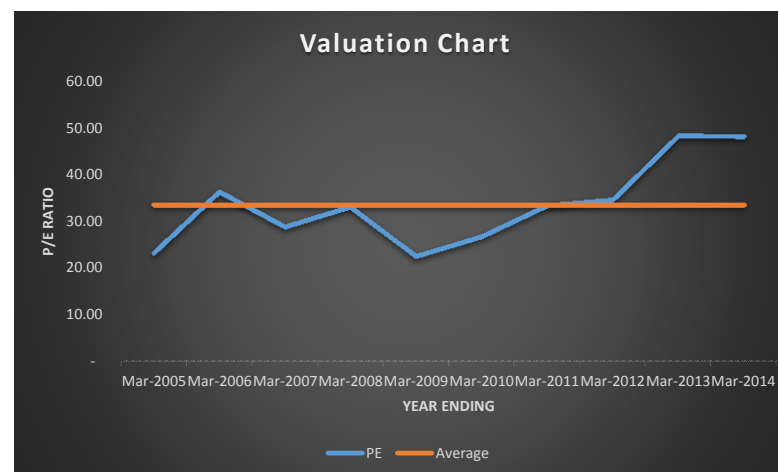
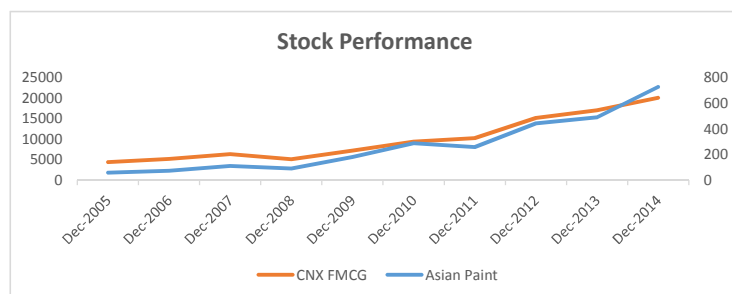


| Key Financial Indicators | | | | | | |
|--------------------------|-------|-----------|----------|----------|----------|----------|
| Particulars | Units | 2014 | 2013 | 2012 | 2011 | 2010 |
| Revenue | Crs | 10,925.22 | 9,394.03 | 8,335.32 | 6,621.01 | 5,372.73 |
| EBITDA Margins | % | 15.98 | 16.03 | 16.38 | 17.03 | 20.51 |
| PAT | Crs | 1,169.06 | 1,050.00 | 958.39 | 775.15 | 774.50 |
| PAT Margins | % | 9.61 | 10.04 | 10.51 | 10.70 | 13.41 |
| Revenue Growth | % | 16.30 | 12.84 | 25.89 | 23.23 | 19.97 |
| EBITDA Growth | % | 15.93 | 12.05 | 21.13 | 4.11 | 91.36 |
| PAT Growth | % | 11.34 | 9.56 | 23.64 | 0.08 | 113.74 |
| Gearing | times | 0.02 | 0.04 | 0.05 | 0.04 | 0.05 |
| ROCE | % | 50.32 | 52.62 | 57.55 | 60.79 | 80.42 |
| ROE | % | 32.47 | 34.74 | 38.52 | 39.24 | 49.74 |

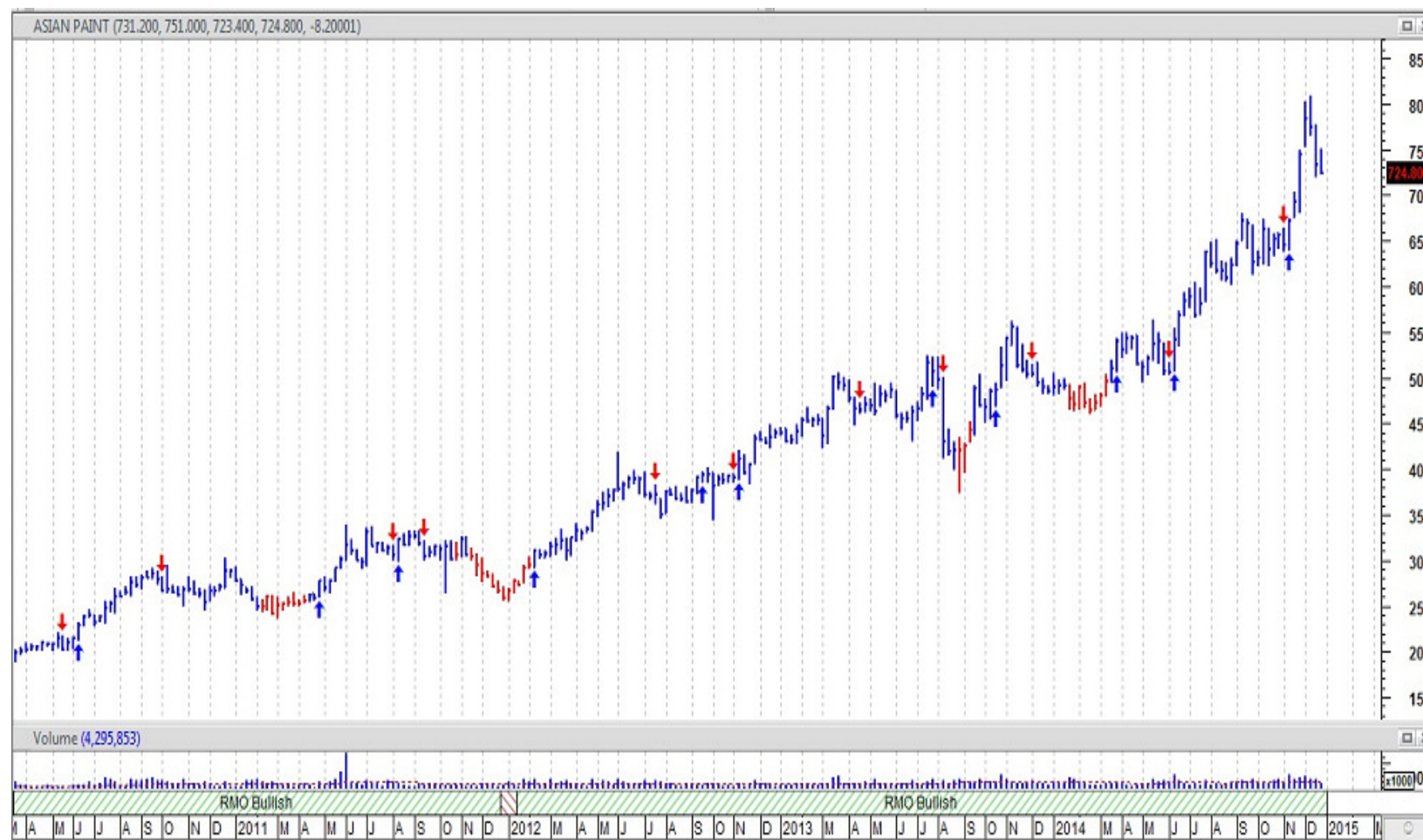
| Peer Comparison | | | | |
|-----------------|------------|--------------|----------------|---------------|
| Particulars | Units | Asian Paints | Kansai Nerolac | Berger Paints |
| Revenue | Rs Cr | 10,925.22 | 3,739.02 | 3,735.35 |
| EBITDA Margins | % | 15.98 | 9.96 | 11.25 |
| PAT | Rs Cr | 1,169.06 | 204.67 | 233.72 |
| PAT Margins | % | 9.61 | 5.52 | 6.27 |
| Gearing | % | 0.02 | 0.05 | 0.29 |
| EPS | Rs / Share | 12.60 | 44.47 | 7.08 |
| PE | times | 57.92 | 44.52 | 57.27 |
| P/BV | times | 19.44 | 7.50 | 12.42 |
| ROCE | % | 50.32 | 21.19 | 26.34 |
| ROE | % | 32.47 | 14.38 | 20.66 |
| EV/EBITDA | times | 26.61 | 16.92 | 19.26 |

Stock Performance vis-a-vis Index

| Particulars | Return | |
|--------------|--------|-----|
| | YTD | QTD |
| Asian Paints | 52% | 15% |
| CNX FMCG | 18% | 2% |



Technical Outlook



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