

Asian paints

10-05-2019

CMP	1,343
SENSEX	37,463
NIFTY	11,278
DECISION ON STOCK	Hold

Result Update-Q4FY2019

India's largest paints company, Asian paints reported 11.7% YOY growth in consolidated revenues to 5,075 crores but profit from continuing operations declined by 1.7% to 487 crores due to increase in expenses driven by raw material prices, spending and higher depreciation. Considering the strong product portfolio and brand recognition, we recommend to HOLD the stock.

STOCK DETAILS	
Sector	Paints and varnishes
Market cap. (Rs. Cr)	1,28,566
Beta	1.20
52 Week High/Low	1530/1120
Face Value (Rs.)	1

SHAREHOLDING PATTERN (%)	
Promoters	52.79%
MF / Banks / DII	10.60%
FPI	16.33%
Public / Others	20.28%

PRICE PERFORMANCE			
	3M	6M	12M
NIFTY	3.27%	7.82%	5.46%
ASIAN PAINTS	-6.53%	5.90%	11.21%

Key highlights

1. Home improvement segment registered 22% growth in quarterly revenues to 119 crores but made a loss of 14 crores.
2. Paints business overall had a revenue de growth of 11.5% to 4,899 crores and profits before tax were down by 21.6% to 802 crores.
3. Decorative paints business registered double digit volume growth in Q4.
4. For industrial businesses, auto segment registered slowdown in second half of the year on the back of deceleration of auto industry.
5. For international businesses, topline grew by 8.3% whereas raw material inflation impacted operational profitability, profit before tax lower by 27% at 121 crores.
6. EBITDA margins for the quarter were 17.5% as compared to 19.5% last year and PAT margins for the quarter were 9.7% as compared to 11% last year.

Future Outlook and risks

1. Raw material prices, including crude and volatility of rupee are the key watch outs.
2. Progress of the monsoon seasons as well as easing of credit cycle in the economy are other monitorables.
3. Geo-political uncertainty as well as forex challenges are other areas of concerns.
4. Total capex for FY20 will be around 700 crore at standalone level



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