

Introduction Remarks – Q2 FY 2014 Conference Call

ECONOMIC ENVIRONMENT :

Global Capital Markets continued to be volatile. Uncertainty on tapering of the Fed Quantitative easing program impacted the currency and bond markets, more particularly in the emerging markets. Rupee took a severe beating to touch lows of 68.4 in late August before recovering ground to current levels with postponement of the expected tapering and on the back of slew of measures taken by RBI. On the growth front, the domestic economy continued to face turbulent times with Q1 GDP growth falling to 4.4%. The Industrial sector, in particular, showed no signs of revival. Even inflation is trending up with WPI at 6.5% in Sep'13 from 4.6% in May'13.

CORPORATE HIGHLIGHTS : Q2 & H1 - FY14

- ☐ Standalone Net Sales & Op. Income for the quarter increases by 18.2%
- ☐ Consolidated Net Sales & Op. Income for the quarter increases by 18.3%
- ☐ H1 Standalone Net Sales & Op. Income up by 15.6%
- ☐ H1 Consolidated Net Sales & Op. Income up by 15%
- ☐ Interim Dividend of 110% (Rs 1.10 per share)
- ☐ Acquires 51% stake in Sleek in Aug 2013.
- ☐ BIL stake increased from 50.1% to 83.7% as on 30th Sep 2013. Current stake stands at 95%.

STANDALONE Q2 & H1 – FY 2014

Standalone Net Sales & Op. Income for the quarter increases by 18.2% to Rs.2532 crores. Operating profit for the quarter was up by 31.5% to Rs. 405 crores. PAT for the quarter up by 38.8% to Rs.311 crores.

Standalone Net Sales & Op. Income for the first six months increases by 15.6% to Rs.4852 crores. Operating profit for the six months was up by 12.5% to Rs.771 crores. Half yearly PAT up by 19.3% to Rs.595 crores.

Depreciation for the Second quarter (at Rs. 52 crores) is substantially higher as compared to the corresponding period (Rs. 29 crores) in the last year. This is primarily on account of Rs. 21 crores depreciation for our newly commissioned plant at Khandala.

There is a negative impact of foreign exchange included in overheads of Rs. 12.4 crores (Q2) and Rs. 26.4 crores (H1).

Other income includes Dividend received from Akzo Nobel of Rs. 16.09 crores in Q2 FY14 (Q2 FY13 – Rs 4 Crores)

CONSOLIDATED Q2 & H1 – FY 2014

Consolidated Net Sales & Op. Income for the quarter increases by 18.3% to Rs. 3115 crores. Operating profit for the quarter was up by 30.2% to Rs. 451 crores. PAT after Minority Interest for the quarter up by 36.7% to Rs.327 crores.

Consolidated Net Sales & Op. Income for the six months increases by 15% to Rs. 5956 crores. Operating profit for the six months was up by 12.7% to Rs. 855 crores. Half yearly PAT after Minority Interest up by 14.1% to Rs. 602 crores.

BUSINESS REVIEW - DECORATIVES

The Decorative Paints business in India did better than Q1 and registered good double digits volume growth. Good growth witnessed across geographies especially in Tier 2 & Tier 3 cities.

In the quarter ended Sept 30, 2013, we increased prices on 1st Aug 2013 by 1% and on 1st Sept 2013 by 1.8%. Cumulative price increase for H1-FY14 is around 4.1%.

BUSINESS REVIEW - INDUSTRIAL

In the Industrial Coatings Business (APPPG), demand conditions remained subdued due to the lack of any major projects in the current year with many expansion projects and capital expenditure getting postponed. Continued financial crunch in major infrastructure companies also impacted demand.

PPGAP, the automotive coatings JV also witnessed subdued demand due to poor demand conditions in the auto sector.

BUSINESS REVIEW - INTERNATIONAL

The International business registered good growth with volume sales exceeding 1 lac KL mark in the first six months of FY 2014. Middle East and Asia have done well even though some countries continued to be affected by political events and macro economic uncertainty, especially in the Sri Lanka.

Paint Sales (Rs crores)			
Regions	6M 13-14	6M 12-13	Gr %
Caribbean	97.82	89.21	10%
Middle East	432.91	381.96	13%
Asia	229.70	181.59	26%
South Pacific	64.01	54.62	17%

PBIT (Rs crores)			
Regions	6M 13-14	6M 12-13	Gr %
Caribbean	3.70	1.27	192%
Middle East	43.47	46.03	-6%
Asia	23.88	13.72	74%
South Pacific	10.29	7.08	45%

CAPEX

The Capex plan for FY 2014 at the standalone company level is around Rs. 200 crores towards facility optimization and regular maintenance.

DIVIDEND

The Board of Directors recommended the payment of an interim dividend of Rs. 1.10 per share (110%). The company distributed an interim dividend of Rs. 9.50 per share (95%) for H1- FY2013. Total dividend of Rs. 46 per share (460%) was distributed in FY 2013. The dividend payout ratio (including dividend distribution tax) was 49.2% in FY2013.

Key Updates:

SLEEK

Asian Paints invested Rs. 99.79 crores for 51% stake by subscription to equity shares of Sleek International Private Limited (SIPL) on 8th August 2013. The Company further invested a sum of Rs. 19.69 crores on 10th August, 2013, as second tranche to this transaction by further subscription to equity shares of SIPL with a corresponding proportionate investment by the existing promoters of SIPL. On completion of the second tranche of investment, the Company continues to hold 51% stake in SIPL.

BERGER INTERNATIONAL LIMITED (BIL)

During the quarter, Asian Paints (International) Ltd acquired 25.72% stake in BIL from Aegis Estates Ltd. Pursuant to this stake purchase, Asian Paints (International) Ltd launched an unconditional cash offer to acquire all remaining shares in BIL. As on 30th September, Asian Paints (International) Ltd held 83.7% stake in BIL. As informed earlier, we intend to delist BIL from Singapore Stock Exchange.

GOING FORWARD

Going forward, Domestic demand is expected to remain challenging and uncertain. Some favorable movement in fuel prices and softening of interest rates for consumer loans could create festive demand for automotives. Continued lack of investments (public as well as private) & slowdown in economy is expected to impact Industrial coatings demand. On the international front, political instability would be a key risk in important markets like Egypt, Bangladesh and Nepal.

THANK YOU

Thank you, We are happy to take any questions you may have.

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