

Asian Paints Q3-FY2012 Conference Call

Date : Monday, Jan 23, 2012
Time : 11 am

Introductory Statement by Mr. P M Murty, MD & CEO, Asian Paints

Growth in the 3rd quarter was good for decorative business across the country.

Inflation and falling Rupee has affected material prices, thus impacting margins.

Industrial business, including Auto, continued to face challenging conditions and pressure on margins continued.

Political events and macro economic uncertainty in some countries continue to affect international performance though South Asia has done well.

ON A CONSOLIDATED BASIS

For the 3 months ended Dec 31, 2011

- Net sales and Operating Income grew by 22% to Rs 2560.5 crores as compared to Rs 2099.6 crores in the previous year
- PBDIT increased by 15.3% to Rs 419.9 crores from Rs 364.3 crores
- PAT after Minority Interest increased by 16.6% to Rs 256.9 crores from Rs 220.3 crores last year

For the 9 months ended Dec 31, 2011

- Net sales and Operating Income grew by 23.2% to Rs 7071.7 crores as compared to Rs 5740.6 crores in the previous year
- PBDIT increased by 10% to Rs 1194.7 crores from Rs 1086.2 crores
- PAT after Minority Interest increased by 11% to Rs 729.3 crores from Rs 657.2 crores last year

FOR THE STANDALONE COMPANY,

For the 3 months ended Dec 31, 2011

- Net sales grew by 20.3% to Rs 2109.5 crores as compared to Rs 1754.2 crores in the previous year.
- PBDIT has increased by 20.5% to Rs. 388.3 crores from Rs 322.3 crores
- Net profit was up by 21.2% to 250.5 crores from Rs. 206.6 crores last year.

For the 9 months ended Dec 31, 2011

- Net sales grew by 24.6% to Rs 5875.2 crores as compared to Rs 4714.9 crores in the previous year.
- PBDIT has increased by 16.2% to Rs. 1108.1 crores from Rs 953.8 crores
- Net profit was up by 18.2% to 713.8 crores from Rs. 603.7 crores last year.

Domestic Q3FY-12 growth is to be seen in the light of last year (Q3-FY11) which was 37% more than that of the earlier year (Q3-FY10) and that itself was 27% higher than that of the year before that (Q3FY-09).

The inflationary trend in input prices continued. Input costs rose sharply necessitating price increases aggregating 10.53% (Apr 2011 – Dec 2011). In the last quarter, we have increased the prices by 2.2% w.e.f. Dec 1. Availability of TiO₂ has eased but high prices remain a concern for all paint manufacturers including us. For Decorative products, Material price index for Q3 was at 121.59 with 2010-11 as base 100 and for YTD Dec 2011, index was at 117.44.

Other expenditure includes negative impact of Rs. 30 crores on account of unexpected depreciation of rupee against USD for 9M-FY12 (Rs. 15 crores only in Q3-FY12). This impact is on account of supplier credit for import transactions and also revaluation of Accounts Payable as at 31st Dec 2011 at the closing rate of Rs. 53.07. The closing rate as at 30th Sept 2011 was Rs. 48.97.

The construction work at the Khandala plant near Pune in Maharashtra is on schedule. The total investment is expected to be around Rs. 1000 crores. The first phase of 3,00,000 KL per annum is

expected to be on stream in Q4-FY13. The plant can be further scaled upto 4,00,000 KL per annum.

INTERNATIONAL OPERATIONS

Oman, Nepal, and Srilanka have registered good growth. Markets in Middle East have still not bounced back from the political unrest and recessionary conditions. Inflationary pressures continue to impact the profitability of international operations too.

NEW JV with PPG

PPG Industries Inc. USA has decided to restructure its operations in India prior to its proposed merger/demerger with the Companies of Asian Paints Group and its Joint Venture Company, Asian PPG Industries Limited. In light of this, the Company and PPG have decided to withdraw the Composite Scheme for Merger and Demerger filed with the Hon'ble High Court of Judicature at Bombay and Hon'ble High Court of Judicature at Madras in September, 2011. A revised Composite Scheme for Merger and Demerger encompassing all businesses as originally envisaged will be filed shortly with the Hon'ble High Court of Judicature at Bombay. The above is subject to the approval of both the High Courts and such other approvals as may be necessary.

Penta Plant update

Due to the severe cyclonic storm 'Thane' in Tamil Nadu, some equipment and materials at the Company's Penterythritol Plant at Cuddalore in Tamil Nadu had been damaged. As a result of it, the plant was temporarily shut down for some days and has now been restarted. The repair and reconstruction work to set right the damage caused at the plant is in progress and the same is not expected to hamper production. All Assets have been fully insured by us.

Way Forward

Going forward, we remain cautiously optimistic about business prospects for the Company. Our results were announced on Saturday (Jan 21st) and have been posted on our website.

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