

Retail Equity Research  
**Asian Paints Ltd.**  
Paint & Varnishes

**BUY**

BSE CODE : 500820 NSE CODE: ASIANPAINT  
BLOOMBERG CODE: APNT:IN SENSEX : 81,343

12 Months Investment Period Rating as per Large Cap  
**CMP Rs.2,930 TARGET Rs.3,305 RETURN 13%** ↑  
(Closing: 18-07-24)

**KEY CHANGES:** TARGET ↑ RATING ↑ EARNINGS ↓

**Price hikes on cards: valuation comfort...**  
Asian Paints Ltd. (APNT), is engaged in the business of manufacturing, selling and distribution of paints and related products for home décor. APNT is the market leader in the Indian paint manufacturing industry.

- Weak demand owing to the general election and severe heat waves had impacted APNT's Q1FY25 top-line, while the inferior product mix and higher employee costs impacted the margin, which declined by 422bps YoY to 18.9%.
- In-order to mitigate the input cost inflation, the company took a price hike of 1% in July. The management also hints at further price hikes in the coming months.
- We factored a de-grade in FY25 and expect a revival in FY26 on account of the positive long term outlook on the sector.
- The company has doubled the capacity in Mysuru plant from 3lakh KL PA to 6lakh KL PA, which is very positive.
- Currently, APNT is trading at a P/E of 53x which is at a discount of 14% to its 3yr avg. Due to comfort in valuation and positive long term outlook we revise our rating to BUY with a TP of Rs. 3,305, based on a P/E of 50x on FY26E EPS.

**Weak demand impacted Q1FY25...**  
APNT reported a de-growth in revenue to Rs 8,970cr, -2.3% YoY in Q1FY25 due to weak demand on account of the general election and severe heat waves. Consequently, volume growth declined to 7% YoY and value growth decreased by 3% YoY, impacted by price cuts and inferior product mixes. The management stated that there are early signs of recovery in the rural market in the month of June, and it is expected to accelerate further due to the progress in the monsoon, government spending, and the upcoming festive season. The new products contribute ~12% to overall revenue, while the economy emulsion paint Neo Bharat Latex paint shows good pickup across markets. The kitchen and bath fitting business revenue saw some green shoots, which grew by ~5% and ~10%, respectively.

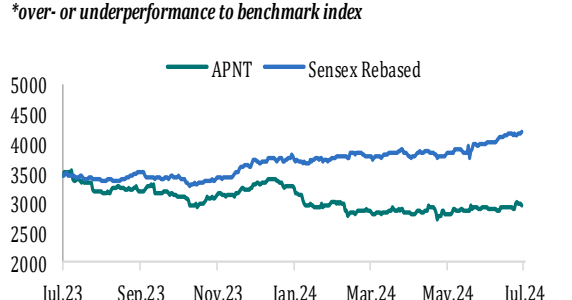
**Price hikes and festive demand to aid margin...**  
The recent price cut and inferior product mix had impacted the gross margin, which declined by 40bps YoY to 42.5%. The other expenses increased by 14% YoY due to higher promotional activity, and employee costs increased by 24% YoY owing to a reversal of Rs 40.7cr due to a revision in the sick leave policy of certain classes of employees, which dragged the EBITDA margin to 18.9% (a fall of 422bps YoY). In July, APNT took a 1% price hike, and we expect more price hikes in the coming quarters to mitigate the cost pressure. The management maintains EBITDA margin guidance in the range of 18% to 20% in the medium term. During the quarter, reported PAT declined by ~25% YoY to Rs 1,187cr.

**Key con-call highlights**

- The installed capacity at the Mysuru plant has increased from 3lakh KL PA to 6lakh KL PA.
- APNT expect double digit volume growth in Q2FY25 due to festive demand and higher spending by government.

**Valuations**  
We expect double digit volume in Q2FY25 due to deferred demand from the previous quarter and revival in rural demand. APNT is trading at a P/E of 53x which is at a discount of 14% to its 3yr avg. Due to comfort in valuation and positive long term outlook, we revise our rating to BUY with a TP of Rs. 3,305, based on a P/E of 50x on FY26E EPS.

Company Data			
Market Cap (cr)	₹ 2,81,089		
Enterprise Value (cr)	₹ 2,80,500		
Outstanding Shares (cr)	96		
Free Float	47.20%		
Dividend Yield	1.1%		
52 week high	₹ 3,567		
52 week low	₹ 2,671		
6m average volume (cr)	0.14		
Beta	0.43		
Face value	₹ 1		
Shareholding (%)	Q3FY24	Q4FY24	Q1FY25
Promoters	52.6	52.6	52.6
FII's	17.3	15.9	15.3
MFs/Insti	10.5	11.6	12.3
Public	19.5	19.9	19.8
Total	100.0	100.0	100.0
Promoter Pledge (%)	0.0	0.0	0.0
Price Performance	3 Month	6 Month	1 Year
Absolute Return	5.1%	-6.0%	-14.1%
Absolute Sensex	10.7%	13.4%	21.2%
Relative Return*	-5.6%	-19.4%	-35.3%



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	35,495	38,992	43,320
Growth (%)	2.9	9.9	11.1
EBITDA	7,585	7,720	8,967
EBITDA Margin(%)	21.37	19.80	20.70
PAT Adj.	5,557	5,417	6,340
Growth (%)	30.9	-2.5	17.0
Adj.EPS	57.9	56.5	66.1
Growth (%)	30.9	-2.5	17.0
P/E	50.6	51.9	44.3
P/B	15.0	12.6	10.6
EV/EBITDA	37.1	36.2	31.0
ROE (%)	32.0	26.4	25.9
D/E	0.1	0.1	0.0

**Antu Eapan Thomas**  
Research Analyst

## Quarterly Financials (Consolidated)

### Profit & Loss

Rs (cr)	Q1FY25	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)
Sales	8,970	9,182	-2.3	8,731	2.7
EBITDA	1,694	2,121	-20.2	1,691	0.1
EBITDA margins (%)	18.9	23.1	-422bps	19.4	-49bps
Depreciation	228	198	14.8	226	1
EBIT	1,466	1,923	-23.8	1,466	0.0
Interest	55	46	21.0	54	2
Other Income	156	197	-20.7	187	-16.5
Exceptional Items	-	-	-	-	-
PBT	1,567	2,074	-24.5	1,599	-2.0
Tax	417	530	-21.4	349	20
Reported PAT	1,187	1,575	-24.6	1,275	-6.9
Adjustments	-	-	-	-	-
Adj PAT	1,187	1,575	-24.6	1,275	-6.9
No. of Shares	96	96	-	96	-
EPS (Rs)	12	15	-19.5	13	-6.9

### Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	39,389	43,675	38,992	43,320	-1.0	-0.8
EBITDA	8,429	9,172	7,720	8,967	-8.4	-2.2
Margins (%)	21.4	21.0	19.8	20.7	-160bps	-30bps
Adj. PAT	5,886	6,329	5,417	6,340	-8.0	0.2
EPS	61.4	66.0	56.5	66.1	-8.0	0.1

## Consolidated Financials

### PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Revenue</b>	<b>29,101</b>	<b>34,489</b>	<b>35,495</b>	<b>38,992</b>	<b>43,320</b>
% change	34.0	18.5	2.9	9.9	11.1
<b>EBITDA</b>	<b>4,804</b>	<b>6,260</b>	<b>7,585</b>	<b>7,720</b>	<b>8,967</b>
% change	-1.1	30.3	21.2	1.8	16.2
Depreciation	816	858	853	1,107	1,212
<b>EBIT</b>	<b>3,987</b>	<b>5,402</b>	<b>6,732</b>	<b>6,613</b>	<b>7,755</b>
Interest	95	144	205	206	218
Other Income	380.0	386.5	688.0	650.0	630.0
<b>PBT</b>	<b>4,156</b>	<b>5,595</b>	<b>7,215</b>	<b>7,057</b>	<b>8,167</b>
% change	-2.8	34.6	29.0	-2.2	15.7
Tax	1,103	1,494	1,790	1,800	1,997
Tax Rate (%)	25.8	26.5	24.8	25.5	24.5
<b>Reported PAT</b>	<b>3,085</b>	<b>4,195</b>	<b>5,557</b>	<b>5,417</b>	<b>6,340</b>
Adj*	115.7	48.9	0.0	0.0	0.0
<b>Adj PAT</b>	<b>3,201</b>	<b>4,244</b>	<b>5,557</b>	<b>5,417</b>	<b>6,340</b>
% change	-0.2	32.6	30.9	-2.5	17.0
No. of shares (cr)	96	96	96	96	96
<b>Adj EPS (Rs.)</b>	<b>33.4</b>	<b>44.2</b>	<b>57.9</b>	<b>56.5</b>	<b>66.1</b>
% change	-0.2	32.6	30.9	-2.5	17.0
DPS (Rs.)	13.1	14.2	15.3	16.4	17.5

### CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Net inc. + Depn.</b>	<b>5,004</b>	<b>6,547</b>	<b>8,201</b>	<b>8,324</b>	<b>9,549</b>
Non-cash adj.	-1163	-1362	-1874	-1522	-1753
Changes in W.C	-2,659	-598	496	-2,359	-1,589
<b>C.F. Operation</b>	<b>1,183</b>	<b>4,586</b>	<b>6,823</b>	<b>4,443</b>	<b>6,207</b>
Capital exp.	-456	-1,387	-3,556	296	-776
Change in inv.	1566	-1008	-25	-1414	-1809
Other invest.CF	0	0	0	0	0
<b>C.F - Investment</b>	<b>1,110</b>	<b>-2395</b>	<b>-3581</b>	<b>-1118</b>	<b>-2585</b>
Issue of equity	0	0	0	0	0
Issue/repay debt	340	52	-70	-151	-263
Dividends paid	-1,499	-1,625	-1,751	-1,877	-2,003
Other finance.CF	-35	66	242	20	20
<b>C.F - Finance</b>	<b>-2,039</b>	<b>-1,507</b>	<b>-1,580</b>	<b>-3,875</b>	<b>-2,246</b>
Chg. in cash	254	684	1662	(550)	1376
Closing cash	864	1,549	3,211	2,661	4,036

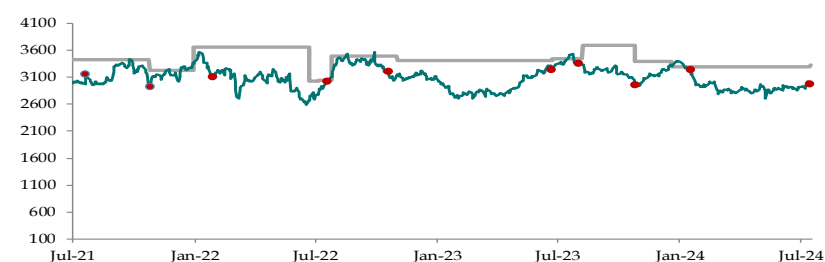
### BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	864	844	1,084	2,661	4,036
Accounts Receivable	3,874	4,639	4,891	5,555	6,172
Inventories	6,153	6,211	5,923	6,687	7,498
Other Cur. Assets	2,874	3,034	3,570	3,905	4,308
Investments	3,248	4,262	4,588	5,964	7,754
Gross Fixed Assets	7,903	8,691	10,108	11,608	12,608
Net Fixed Assets	5,090	5,355	6,302	6,371	6,179
CWIP	426	1,020	2,698	1,000	800
Intangible Assets	429	415	844	810	766
Def. Tax (Net)	-	-	-	-	-
Other Assets	-	-	-	-	-
<b>Total Assets</b>	<b>22,958</b>	<b>25,779</b>	<b>29,901</b>	<b>32,952</b>	<b>37,513</b>
Current Liabilities	7,373	7,740	8,756	8,124	8,332
Provisions	288	305	285	320	356
Debt Funds	776	972	1,107	1,162	1,117
Other Liabilities	710	770	1,024	1,077	1,103
Equity Capital	96	96	96	96	96
Reserves & Surplus	13,716	15,896	18,632	22,173	26,510
Shareholder's Fund	13,812	15,992	18,728	22,269	26,605
<b>Total Liabilities</b>	<b>22,958</b>	<b>25,779</b>	<b>29,901</b>	<b>32,952</b>	<b>37,513</b>
<b>BVPS (Rs.)</b>	<b>144</b>	<b>167</b>	<b>195</b>	<b>232</b>	<b>277</b>

### RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	16.5	18.2	21.4	19.8	20.7
EBIT margin (%)	13.7	15.7	19.0	17.0	17.9
Net profit mgn.(%)	11.0	12.3	15.7	13.9	14.6
ROE (%)	24.0	28.5	32.0	26.4	25.9
ROCE (%)	17.1	20.3	23.6	19.5	19.4
<b>W.C &amp; Liquidity</b>					
Receivables (days)	40.6	45.0	49.0	48.9	49.4
Inventory (days)	62.4	65.4	62.4	59.0	59.8
Payables (days)	5.1	4.5	5.9	6.6	6.1
Current ratio (x)	1.8	1.8	1.7	2.2	2.5
Quick ratio (x)	0.6	0.7	0.7	1.0	1.2
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	3.8	4.2	3.8	3.6	3.6
Total asset T.O (x)	1.3	1.4	1.3	1.2	1.2
Int. coverage ratio (x)	41.8	37.4	32.8	32.1	35.5
Adj. debt/equity (x)	0.1	0.1	0.1	0.1	0.0
<b>Valuation</b>					
EV/Sales (x)	9.7	8.2	7.9	7.2	6.4
EV/EBITDA (x)	58.5	44.9	37.1	36.2	31.0
P/E (x)	87.8	66.2	50.6	51.9	44.3
P/BV (x)	20.4	17.6	15.0	12.6	10.6

## Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit Research.

Dates	Rating	Target
23-Jul-2021	Buy	3,438
27-Oct-2021	Buy	3,285
31-Jan-2022	Buy	3,663
26-Jun-2022	Buy	3,025
28-Jul-2022	Buy	3,502
1-Nov-2022	Buy	3,416
24-Jan-2023	Buy	3,115
26-Jun-2023	Hold	3,448
08-Aug-2023	Buy	3,691
31-Oct-2023	Buy	3,399
24-Jan-2024	HOLD	3,299
19-Jul-2024	Buy	3,305

## Investment Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

### Not rated/Neutral

#### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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