

Weak Demand Outlook Continues; Maintain HOLD

Est. Vs. Actual for Q4FY25: Revenue – **MISS**; EBITDA – **MISS**; PAT – **MISS**

Changes in Estimates post Q4FY25

FY26E/FY27E – Revenue: -6%/-5%; **EBITDA:** -14%/-8%; **PAT:-20%/-14%**

Recommendation Rationale

- **Subdued demand:** Asian Paints reported a 4.3% YoY decline in consolidated revenue for Q4FY25, falling short of expectations due to demand softness and cautious consumer sentiment. The decorative segment contracted by 5.2% YoY, with muted volume growth of 1.8%, impacted by rising competitive intensity and downtrading. International revenues declined 1.5% YoY, mainly due to macroeconomic headwinds in key African markets. In contrast, the industrial business grew 6.1% YoY, driven by strong performance in the general industrial and auto categories. Home décor continued to face pressure from subdued household spending, with White Teak and Weatherseal under strain, resulting in an impairment charge. The institutional segment witnessed encouraging traction, supported by project-driven demand. The company expanded its retail network to 1.69 Lc outlets during the quarter.
- **Demand Outlook:** Management remains cautiously optimistic amid macro uncertainty, anticipating demand recovery driven by urban markets and support from rural markets through a normal monsoon and continued government spending. The focus continues to be on strengthening core brands, enhancing cost efficiency, and navigating global volatility, while expecting some relief from easing input costs and a potential rupee recovery.
- **Margins Pressure:** The company's EBITDA margins contracted by 219 bps YoY to 17.2%, impacted by an unfavourable product mix and operating deleverage. However, **management reiterated that consolidated EBITDA margin will stabilise in the 18-20% range, aided by moderating raw material costs.**

Sector Outlook: Cautious

Company Outlook & Guidance: We maintain a **HOLD** rating on the stock owing to the weak near-term growth outlook.

Current Valuation: 45x Mar-27 EPS (Earlier Valuation: 45x Dec-26 EPS).

Current TP: Rs 2,120/share (Earlier TP: Rs 2,440/share).

Recommendation: With a downside of 8% from the CMP, we **maintain our HOLD** rating on the stock.

Financial performance

Asian Paints reported a 4.3% YoY decline in consolidated revenue to Rs 8,359 Cr in Q4FY25, impacted by weak demand, downtrading, and subdued growth in the domestic decorative segment and international business. Gross margins improved by 23 bps YoY to 43.9%, supported by a 1.5% benefit from material cost deflation and a 0.4% price hike. However, EBITDA margins contracted by 219 bps YoY to 17.2%, due to an unfavourable product mix and elevated operating expenses. As a result, adjusted PAT declined by ~45% YoY to Rs 692 Cr.

Key Financials (Consolidated)

(Rs Cr)	Q4FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	8,359	(2.2)	(4.3)	8,723	(4.2)
EBITDA	1,436	(12.3)	(15.1)	1,542	(6.9)
EBITDA Margin (%)	17.2	-196 bps	-219 bps	17.7	-50 bps
Net Profit	692	(37.7)	(44.9)	1,081	(36.0)
EPS (Rs)	7.2	(37.7)	(44.9)	11.3	(36.0)

Source: Company, Axis Research

(CMP as of 08th May 2025)

CMP (Rs)	2,302
Upside /Downside (%)	-8%
High/Low (Rs)	3394/2125
Market cap (Cr)	220855
Avg. daily vol.(6m)Shrs '000.	1432
No. of shares (Cr)	95

Shareholding (%)

	Sep-24	Dec-24	Mar-25
Promoter	52.6	52.6	52.6
FIIs	15.3	13.6	12.2
MFs / UTI	4.9	5.4	5.7
FIIs / Banks	0.0	0.0	0.0
Others	27.2	28.4	29.5

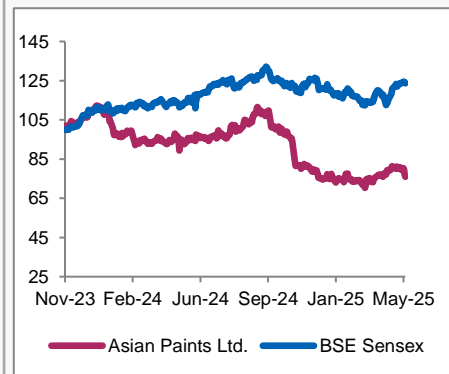
Financial & Valuations

Y/E Mar (Rs Cr)	FY25A	FY26E	FY27E
Net Sales	33,906	35,466	37,821
EBITDA	6,006	6,157	7,156
Net Profit	4,030	3,917	4,535
EPS (Rs.)	42.0	40.8	47.3
PER (x)	54.8	56.4	48.7
EV/EBITDA (x)	36.8	35.8	30.8
P/BV (x)	11.4	16.4	15.6
ROE (%)	20.8	29.1	32.0

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	-6%	-5%
EBITDA	-14%	-8%
PAT	-20%	-14%

Relative Performance



Source: Ace Equity, Axis Securities

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Outlook

We remain positive on the company's long-term prospects, supported by the following factors: 1) Budget boost, 'which will lead to an increase in disposable income; 2) Decline in raw material prices; 3) The company's announcement of setting up (a) a VAE and VAM plant, (b) a cement plant through a joint venture in Fujairah, UAE, to backward-integrate key raw materials; 4) Expansion of manufacturing footprint by more than 30-40%; and 5) Launch of differentiated next-generation emulsions and waterproofing products based on nanotechnology. These are steps in the right direction to achieve the next growth phase and secure the company's market share in the long term. **However, we believe the stock is likely to see sideways movement owing to the subdued demand environment in the near term and increased competition from new entrants. Based on this, we have cut our FY26E/27E estimates and maintain our HOLD rating on the stock.**

Other Key Highlights

1. Home Décor Business: Asian Paints' Home Décor segment posted a subdued performance in Q4FY25, affected by constrained household budgets and weaker-than-anticipated traction from the Beautiful Homes network.

1. Bath Fittings recorded a modest 3.7% YoY sales growth in Q4, with FY25 sales up 4.7%. Losses narrowed on both quarterly and annual bases, supported by improved cost controls.
2. The Kitchen Business saw a sharp 15.5% YoY decline in Q4 sales and reported a Rs 13 Cr PBDIT loss. While FY25 sales were flat, the segment slipped into a full-year loss.
3. White Teak reported a steep ~58% YoY decline in Q4 sales, leading to an impairment on investment. FY25 sales fell ~20%, impacted by weak urban consumption and BIS-related challenges.
4. Weatherseal delivered a stable performance, with Q4 sales up 3.4% and FY25 sales rising ~2%.

The segment continues to face operational headwinds, indicating the need for a strategic reassessment, particularly in underperforming areas like White Teak.

2. International Business: Asian Paints' international business declined 1.5% YoY to Rs 800 Cr in Q4FY25, primarily impacted by significant currency depreciation in Egypt and Ethiopia, alongside macroeconomic headwinds in Bangladesh. However, on a constant currency basis, revenue grew 6% YoY, supported by strong momentum in the Middle East and a gradual recovery across select Asian markets.

1. Middle East: Continued double-digit growth led by UAE.
2. Asia: Modest growth aided by Sri Lanka and Nepal; Bangladesh remained weak.
3. Africa: Weighed down by currency pressure and inflation in key markets.

3. Industrial Business: Asian Paints' industrial segment delivered steady top-line growth across both joint ventures:

1. PPGAP (Auto & General Industrial): Q4 sales rose 2.9% YoY to Rs485 Cr; FY25 up 6% to Rs2,136.5 Cr. Q4 PBT dipped to Rs58.6 Cr, with margins softening to 12.1% due to increased investments in sales infrastructure. However, full-year profitability remained strong.
2. AP-PPG (Protective Coatings & Powder Coatings): Q4 sales grew 10.8% YoY to Rs347 Cr; FY25 sales up 4.1%. Profitability declined in a tight pricing environment—Q4 PBT at Rs29 Cr, with margins down to 8.3%.

Despite margin pressure, full-year growth in both JVs reflects a resilient industrial portfolio with broad-based performance.

4. **Exceptional Items:** Asian Paints took a Rs183 Cr exceptional hit in Q4FY25, reflecting a conservative reassessment of underperforming assets and overseas operations:-

1. **White Teak:** A Rs 101 Cr impairment was booked on its standalone investment, along with a Rs 79 Cr fair value loss on derivatives linked to future stake buyouts. Additionally, Rs 78 Cr was impaired at the consolidated goodwill level.
2. **International Exit:** Rs 84 Cr loss was recognised from the divestment of two Indonesian subsidiaries.
3. **Sri Lanka:** Rs 22 Cr impairment was taken on goodwill from the Causeway Paints acquisition.

5. **Capex:** Asian Paint expects a total outflow of Rs 700-800Cr in capex for FY26.

Key Risks to Our Estimates and TP

- Increase in competitive intensity; prolonged demand recovery; RM inflation

Change in Estimates

	Old		New		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	37,643	39,992	35,466	37,821	-6%	-5%
EBDTDA	7,160	7,785	6,157	7,156	-14%	-8%
PAT	4,903	5,274	3,917	4,535	-20%	-14%
EPS	51.1	55	40.8	47.3	-20%	-14%

Source: Company, Axis Securities

Results Review

(Rs Cr)	Q4FY24	Q3FY25	Axis sec Est	Q4FY25	YoY growth %	QoQ growth %	Axis Sec Var (%)
Domestic Volume growth est. (% yoy)	10%	2%	3%	2%	-8 bps	0 bps	-1 bps
Sales	8,731	8,549	8,723	8,359	(4.3)	(2.2)	(4.2)
Gross Profits	3,816	3,629	3,803	3,672	(3.8)	1.2	(3.4)
Gross Margin (%)	43.7	42.4	43.6	43.9	23 bps	149 bps	33 bps
Staff costs	614	615	645	631	2.8	2.7	(2.1)
Other operating expenses	1,511	1,377	1,616	1,605	6.2	16.5	(0.7)
EBITDA	1,691	1,637	1,542	1,436	(15.1)	(12.3)	(6.9)
EBITDA margin (%)	19.4	19.1	17.7	17.2	-219 bps	-196 bps	-50 bps
Depreciation	226	256	263	301	33.5	17.8	14.4
Interest	54	56	57	53	(2.4)	(5.5)	(7.3)
Other Income	187	143	196	100	(46.6)	(30.2)	(49.2)
PBT	1,599	1,468	1,418	1,182	(26.1)	(19.5)	(16.7)
Minority Interest	(19)	(18)		(9)			
Share in profit of associate	25	50		23			
EO Items	-	-		(1,830)			
Provision for Tax	349	390	369	321	(7.8)	(17.5)	(12.8)
Tax rate (%)	21.8	26.5	26.0	27.2	537 bps	65 bps	119 bps
Adj PAT	1,257	1,110	1,081	692	(44.9)	(37.7)	(36.0)
EPS (Rs.)	13.1	11.6	11.3	7.2	(44.9)	(37.7)	(36.0)

Source: Company, Axis Securities

Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E Mar, Rs Cr	FY24	FY25A	FY26E	FY27E
Net sales	35,495	33,906	35,466	37,821
Growth, %	2.9	(4.5)	4.6	6.6
Total income	35,495	33,906	35,466	37,821
Raw material expenses	-20,090	-19,516	-20,492	-21,414
Employee expenses	-2,326	-2,597	-2,857	-3,143
Other Operating expenses	-5,493	-5,786	-5,960	-6,109
EBITDA (Core)	7,585	6,006	6,157	7,156
Growth, %	21.2	(20.8)	2.5	16.2
Margin, %	21.4	17.7	17.4	18.9
Depreciation	-853	-1,026	-1,439	-1,749
EBIT	6,732	4,980	4,718	5,407
Growth, %	24.6	(26.0)	(5.3)	14.6
Margin, %	19.0	14.7	13.3	14.3
Interest paid	-205	-227	-232	-236
Pre-tax profit	7,348	5,103	5,300	6,132
Tax provided	-1,790	-1,393	-1,338	-1,550
Net Profit	5,460	3,667	3,917	4,535
Growth, %	31.4	(26.2)	(2.8)	15.8
Net Profit (adjusted)	546	403	392	453
Unadj. shares (Cr)	96	96	96	96

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

As of 31st Mar, Rs Cr	FY24	FY25A	FY26E	FY27E
Cash & bank	1,084	782	1,311	1,217
Debtors	4,891	4,322	3,498	3,730
Inventory	5,923	6,719	6,802	7,253
Loans & advances	0	0	0	0
Other current assets	3,570	3,332	3,332	3,332
Total current assets	15,468	15,156	14,943	15,533
Investments	4,588	4,725	4,880	5,050
Net fixed assets	9,845	4,457	4,818	5,069
Total assets	29,901	30,355	24,640	25,652
Current liabilities	90,411	90,437	92,207	94,880
Total current liabilities	90,411	90,437	92,207	94,880
Non-current liabilities	1,436	1,253	1,253	1,253
Total liabilities	10,477	10,296	10,473	10,741
Paid-up capital	96	96	96	96
Reserves & surplus	18,632	19,304	13,367	14,065
Shareholders' equity	19,424	20,059	14,167	14,912
Total equity & liabilities	29,901	30,355	24,640	25,652

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E Mar (Rs Cr)	FY24	FY25A	FY26E	FY27E
Pre-tax profit	7,348	5,103	5,300	6,132
Depreciation	853	1,026	1,439	1,749
Chg in working capital	496	12	919	-417
Total tax paid	-1,777	-1,333	-1,338	-1,550
Cash flow from operating activities	6,919	4,808	6,320	5,914
Capital expenditure	-3,908	4,361	-1,800	-2,000
Chg in investments	-326	-137	-155	-170
Cash flow from investing activities	-4,101	4,365	-1,800	-2,000
Free cash flow	2,818	9,174	4,520	3,914
Equity raised/(repaid)	58	672	-6,017	0
Debt raised/(repaid)	135	-243	0	0
Dividend (incl. tax)	-2,532	-2,532	-3,837	-3,837
Cash flow from financing activities	-2,195	-2,183	-9,854	-3,837
Net chg in cash	623	6,991	-5,334	77
Opening cash balance	844	1,084	782	1,311
Closing cash balance	1,084	782	1,311	1,217

Source: Company, Axis Securities

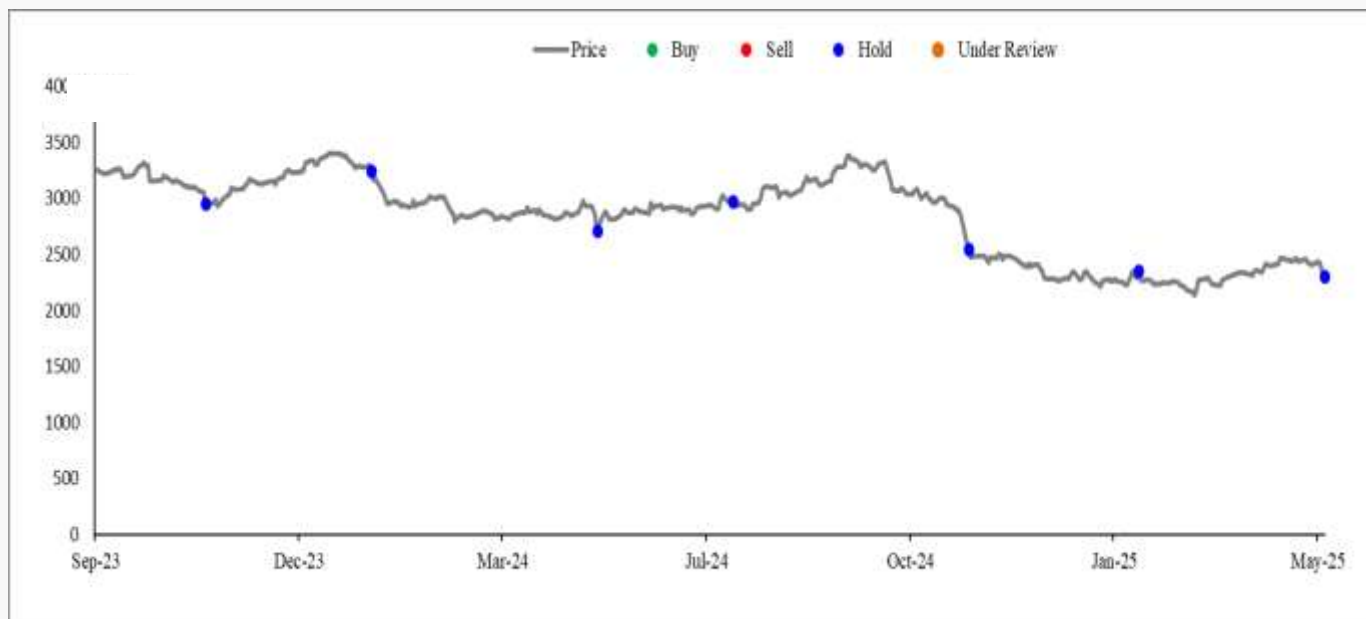
Ratio Analysis

(%)

Y/E Mar	FY24	FY25A	FY26E	FY27E
Per Share data				
EPS (INR)	56.9	42.0	40.8	47.3
FDEPS (INR)	56.9	42.0	40.8	47.3
CEPS (INR)	65.8	56.5	55.8	65.5
CFPS (INR)	63.6	42.7	57.4	51.6
DPS (INR)	26.4	26.4	40.0	40.0
Return ratios				
Return on assets (%)	20.7	14.5	17.1	19.2
Return on equity (%)	29.2	20.8	29.1	32.0
Return on capital employed (%)	29.9	18.7	22.8	30.5
Turnover ratios				
Asset turnover (x)	2.6	2.7	3.7	4.0
Sales/Total assets (x)	1.3	1.3	1.4	1.5
Sales/Net FA (x)	4.3	4.7	7.6	7.7
Working capital/Sales (x)	0.2	0.2	0.1	0.1
Liquidity ratios				
Current ratio (x)	1.7	1.7	1.6	1.6
Quick ratio (x)	1.1	0.9	0.9	0.9
Interest cover (x)	32.8	21.9	20.4	22.9
Net debt/Equity (%)	0.1	0.0	(0.0)	(0.0)
Valuation				
PER (x)	40.4	54.8	56.4	48.7
Price/Book (x)	11.8	11.4	16.4	15.6
EV/Net sales (x)	6.2	6.5	6.2	5.8
EV/EBITDA (x)	29.1	36.8	35.8	30.8
EV/EBIT (x)	32.8	44.4	46.7	40.8

Source: Company, Axis Securities

Asian Paints Price Chart and Recommendation History



Date	Reco	TP	Research
27-Oct-23	HOLD	3,200	Result Update
18-Jan-24	HOLD	3,100	Result Update
10-May-24	HOLD	2,800	Result Update
17-Jul-24	HOLD	2,930	Result Update
12-Nov-24	HOLD	2,700	Result Update
05-Feb-25	HOLD	2,440	Result Update
09-May-25	HOLD	2,120	Result Update

Source: Axis Securities

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NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.