An In-Depth Report on Financial & Strategic Performance of India's Paint Giant.

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Company Overview

Asian Paints Ltd. is India's largest decorative paints manufacturer and one of the top 10 coatings companies globally. Founded in 1942, the company operates in over 60 countries with 27 manufacturing plants and a network of more than 160,000 dealers.
Over the past decade, Asian Paints has evolved from being a pure-play paint company to a comprehensive home décor and services brand, offering customers not just products—but end-to-end interior solutions.

Business Segments:

- ***Decorative Paints (Core Segment)***

This includes interior and exterior wall finishes, wood finishes, waterproofing products, primers, putties, and textures. It remains the primary revenue driver, accounting for ~85% of domestic sales.

- ***Industrial Coatings***

Operated via joint ventures with PPG Industries, this segment includes automotive coatings, protective coatings for industrial surfaces, and OEM finishes for white goods.

- ***Home Decor & Furnishings***

Through its brands Sleek Kitchens and Ess Ess, Asian Paints offers modular kitchens, wardrobes, bath fittings, lighting, furniture, and soft décor. This vertical continues to grow as the company captures a larger share of wallet in the home transformation market.

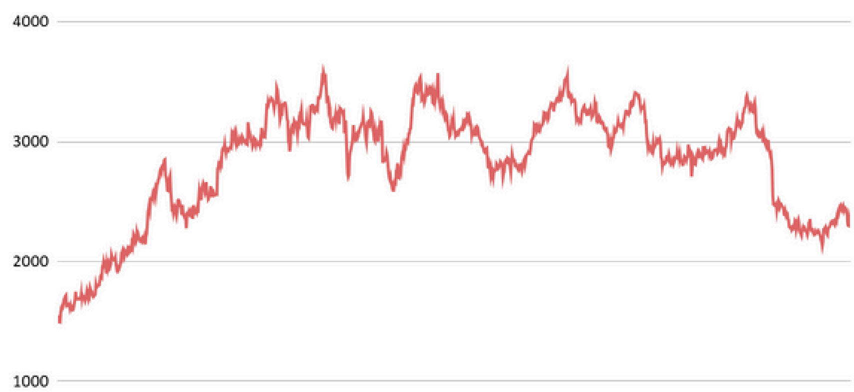
- ***Services – Beautiful Homes & Safe Painting***

The company provides full-service home painting solutions, from color consultation to execution, via trained professionals under its "Beautiful Homes Painting Service" and "Safe Painting Service" programs—adding convenience and quality assurance to customers.

5-Year Share performance

(Current price as of 16/05/2025 is ₹2,353)

Over the past five years, Asian Paints' stock price has shown a strong upward trajectory, nearly doubling from nearly ₹1,500 to above ₹3,000 at its peak.The long-term trend has remained structurally positive, reflecting investor confidence in the company's fundamentalsand consistent profitability.



Key Strategic Highlights

1. Home Decor Expansion & Platform Strategy

- Asian Paints strategically evolved into a lifestyle and home aesthetics brand, combining paint, décor, and service offerings under one umbrella.
- Through the Beautiful Homes platform, customers now receive design consultation, product selection, and end-to-end execution—including furniture, lighting, uPVC windows, and bath fittings.
- This shift from products to platform + experience has increased customer lifetime value and improved gross margins.

2. Product Innovation & Portfolio Depth

- Between FY21 and FY24, the company launched over 120 new products, meeting a broad spectrum of customer needs—from ultra-premium to ultra-budget.
- Key innovations:
  - Neo Bharat Latex: Entry-level interior emulsion
  - TruCare: Specialized tools and rollers
  - SmartCare Damp Proof: Waterproofing for extreme weather
- A strong internal R&D setup allowed quick iteration and category creation.

3. Digital Transformation & Service Integration

- To differentiate in a maturing market, Asian Paints focused on tech-driven service.
- Investments in CRM systems, virtual color consultations, digital dealer platforms, and doorstep delivery have improved customer and distributor experience.
- Services like color visualizers and project management dashboards became core to the new B2C and B2B approach.

4. Operational Efficiency & Supply Chain Mastery

- The company maintained lean working capital cycles despite scale, thanks to predictive inventory systems and a hub-and-spoke distribution model.
- It also invested in backward integration—manufacturing key inputs like white cement and VAM to stabilize input costs and gain price control.

5. Navigating Post-COVID Volatility

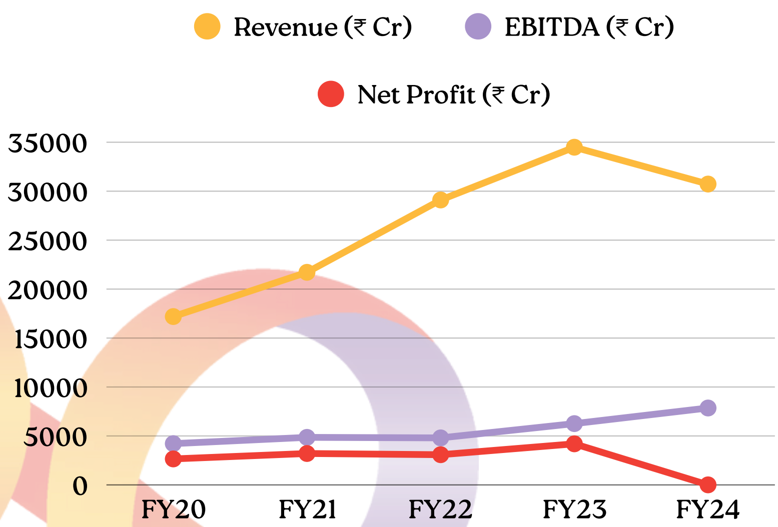
- FY21 posed volume and logistics challenges, but Asian Paints leveraged rural demand, reworked packaging sizes, and increased dealer credit lines to retain market share.
- It rebounded faster than most peers, with double-digit growth in Tier-2/Tier-3 towns, which now form a major share of new customer acquisition.

Financial Analysis (FY 20-FY24)

This section presents a detailed financial analysis of Asian Paints Ltd. over the last five years (FY20–FY24). Key metrics such as revenue, profitability, margins, and return ratios are analyzed to assess performance trends and financial strength

I. ***Revenue & Profit Growth Trends***

Year	Revenue (₹ Cr)	EBITDA (₹ Cr)	Net Profit (₹ Cr)
FY20	17195	4215	2654
FY21	21713	4856	3207
FY22	29102	4804	3085
FY23	34489	6260	4196
FY24	30728	7855	5460



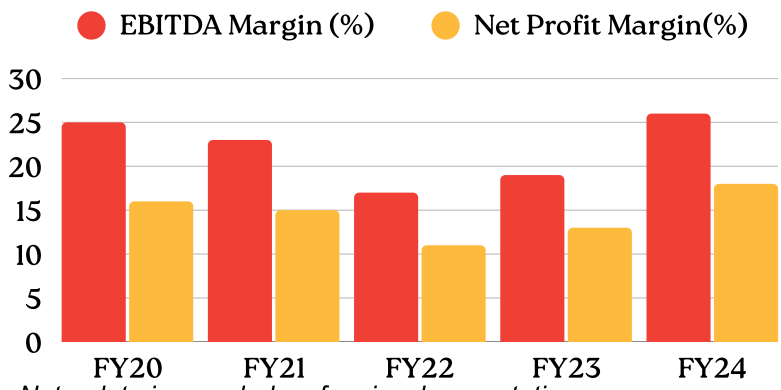
Note: The above data is collected from the annual reports as much as possible, others are speculated data from various reliable online sources

Asian Paints achieved a strong revenue trajectory, rising from ₹17,195 Cr in FY20 to a peak of ₹34,489 Cr in FY23 before a modest correction to ₹30,728 Cr in FY24, likely due to raw material normalization and inventory adjustments.

EBITDA and net profit trended upward until FY23, but FY24 shows a sharp spike in EBITDA and a mismatch iwhich may reflect non-operating costs or exceptional items. Overall, the company demonstrates resilient top-line growth and operating leverage, though the FY24 net profit drop highlights the need to investigate bottom-line fluctuations beyond core operations.

II. ***Margin Analysis***

Year	EBITDA Margin (%)	Net Profit Margin (%)
FY20	24.52	15.44
FY21	22.37	14.77
FY22	16.51	10.61
FY23	18.16	12.17
FY24	25.57	17.77



Note: data is rounded up for visual reprentation.

Asian Paints consistently maintained strong operating margins, with EBITDA margin staying above 20% in most years. Margins declined in FY22 due to input cost pressures but recovered steadily, reaching a five-year high of around 26% in FY24.Net profit margins remained lower than EBITDA due to depreciation, tax, and other financial expenses, yet the company has shown resilience in sustaining bottom-line performance across varying cost environments.

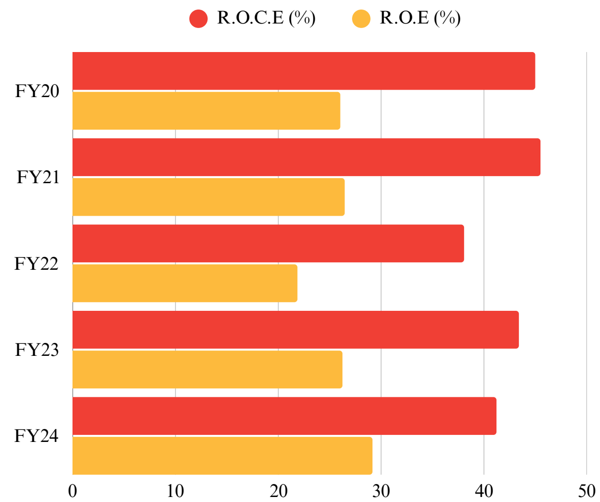
III. ***Return Ratios (Return on capital employed & Return on Equity)***

Formula:

R.O.C.E = E.B.I.T(Earnings Before Interst and Tax) / C.E (Capital Employed) 100*

*R.O.E = Net Profit / shareholders equity*100*

Year	R.O.C.E (%)	R.O.E (%)
FY20	44.99	26.03
FY21	45.5	26.46
FY22	38.07	21.86
FY23	43.4	26.24
FY24	41.22	29.16



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Asian Paints has consistently demonstrated high capital efficiency, with ROCE remaining above 38% throughout the five-year period, well above industry benchmarks.

ROE remained stable in the mid-20% range, improving to 29.16% in FY24, backed by strong earnings growth and efficient equity utilization.

The narrow gap between ROCE and ROE also indicates a conservative capital structure, with minimal dependence on debt to drive returns.

Overall, Asian Paints' return ratios reflect a company that is not only growing, but doing so sustainably and profitably, with strong internal capital generation.

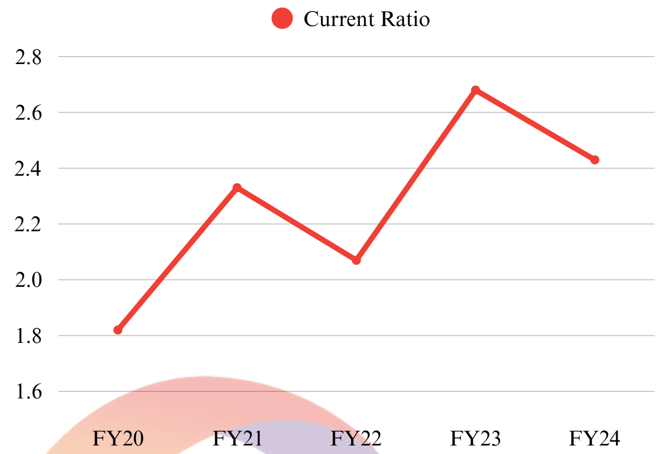
IV. ***Liquidity & Leverage Ratios (Current Ratio, Debt/Equity, Net Debt)***

Formula:

- *Current Ratio = Current Assets / Current Liabilities*
- *Debt-to-Equity Ratio = Total Debt / Shareholders' Equity*
- *Net Debt = Total Debt – Cash & Equivalents*

1. **Current Ratio**

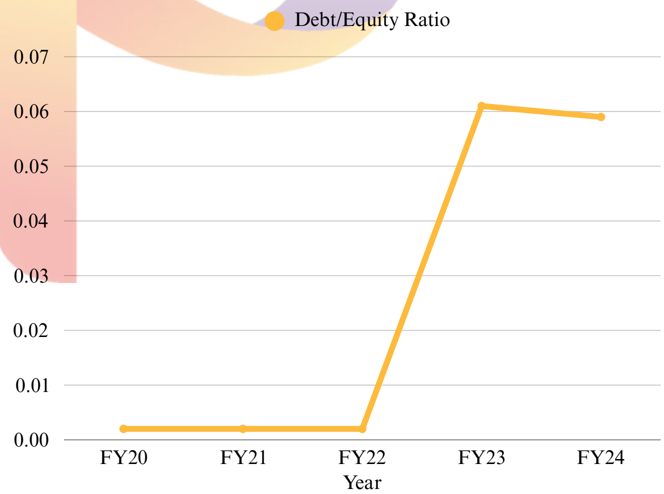
Year	Current Assets (₹ Cr)	Current Liabilities	Current Ratio
FY20	5,826	3,195	1.82
FY21	7,627	3,268	2.33
FY22	6,914	3,334	2.07
FY23	16,535	6,177	2.68
FY24	17,537	7,220	2.43



NOTE: All figures are based solely on the verified data from the annual reports.

2.**Debt-to-Equity Ratio**

Year	Total Debt (₹ Cr)	Shareholders Equity (₹ Cr)	Debt/Equity Ratio
FY20	24.4	10,199.80	0.002
FY21	23.4	12,120.40	0.002
FY22	33.8	14,115.00	0.002
FY23	972.2	15,992.20	0.061
FY24	1,107.10	18,728.30	0.059



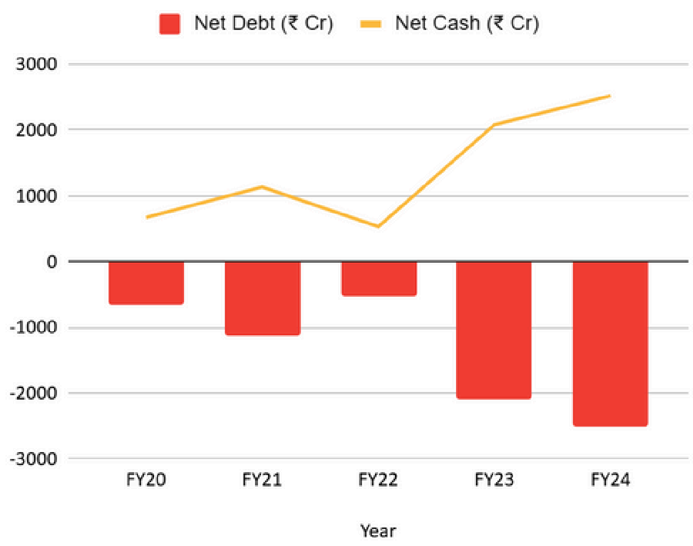
Asian Paints has maintained a consistently strong current ratio, ranging between 1.8 and 2.7, which reflects the company's sound liquidity position and efficient working capital management. The spike in FY23 to 2.68 suggests improved cash or receivable positions, possibly due to post-COVID demand recovery and higher inventory turnover. A slight moderation in FY24 to 2.43 still indicates excellent short-term solvency, well above the industry comfort threshold of 1.5.

The company's debt-to-equity ratio remained exceptionally low throughout the five-year period, hovering around 0.002 from FY20 to FY22 and marginally increasing to 0.06 in FY23 and FY24. Such low gearing confirms Asian Paints' conservative capital structure, backed by strong internal accruals and minimal reliance on external debt.

These metrics reinforce the company's financial stability, low risk profile, and its ability to fund growth without compromising solvency.

3. **Net Debt (Total Debt – Cash & Cash Equivalents)**

Year	Total Debt (₹ Cr)	Cash & Equivalents (₹ Cr)	Net Debt (₹ Cr)
FY20	24.4	693.9	-669.5
FY21	23.4	1,156.40	-1133
FY22	33.8	563.8	-530
FY23	972.2	3,054.30	-2082.1
FY24	1,107.10	3,626.90	-2519.8



Asian Paints has consistently operated in a net cash position over the last five years, with cash and cash equivalents exceeding total debt each year.
The company's net cash reserve expanded significantly from ₹669 Cr in FY20 to over ₹2,500 Cr in FY24, reflecting strong internal cash generation and minimal reliance on external borrowing.
The sharp increase in net cash in FY23 and FY24 corresponds with peak profitability and controlled capital expenditure, allowing the firm to build a substantial liquidity buffer.
Meanwhile, net debt values remained negative throughout the period, reinforcing the company's financial resilience and prudent capital allocation strategy.
This conservative debt profile provides Asian Paints with ample flexibility to fund future growth organically, navigate economic cycles, and maintain investor confidence.

V. Efficiency Ratios

(Inventory Turnover, Asset Turnover, Receivables Turnover)

Formula:

- *Inventory Turnover = COGS / Average Inventory**
- *Asset Turnover = Revenue / Average Total Assets**
- *Receivables Turnover = Revenue / Average Trade Receivables**

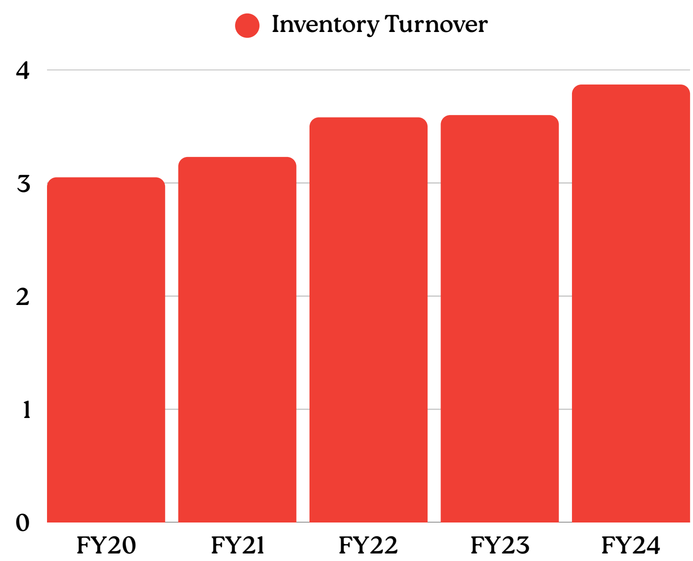
**The required data is given in the table below*

Year	Avg Inventory	Avg Total Assets	Avg Trade Receivables
FY20	3,269.83	12,730.59	1,834.84
FY21	3,746.91	16,070.04	2,350.81
FY22	4,591.27	20,361.09	2,895.55
FY23	5,200.16	24,108.97	3,270.96
FY24	5,198.28	27,861.05	3,548.03

1. Inventory Turnover

(COGS / Avg. Inventory)

Year	Avg Inventory	COGS	**Inventory Turnover**
FY20	3270	9956	**3.05**
FY21	3747	12094	**3.23**
FY22	4592	16431	**3.58**
FY23	5201	18676	**3.6**
FY24	5199	20091	**3.87**

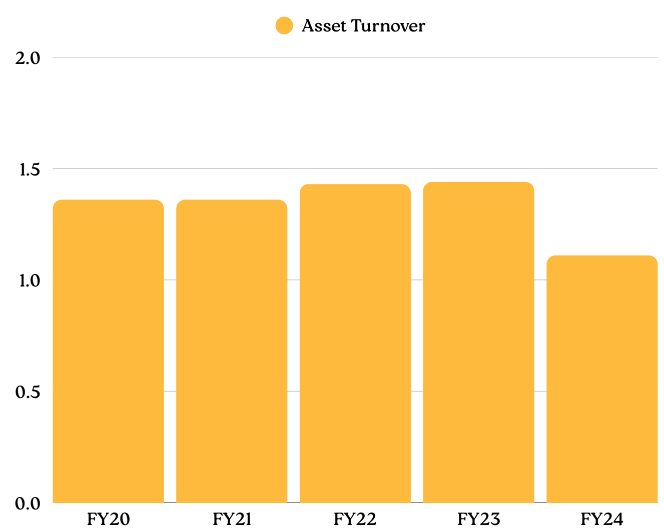


Asian Paints has demonstrated a steady improvement in inventory turnover over the last five years, rising from just above 3x in FY20 to nearly 4x in FY24. This trend suggests the company is managing its inventory more efficiently, with faster movement of goods and better alignment of production with demand.
The rising turnover ratio reflects improvements in supply chain operations, inventory planning, and demand forecasting, especially crucial given the company's diverse product lines and seasonal business dynamics.
Notably, the highest turnover in FY24 signals a return to pre-inflation operating norms, possibly aided by digitalization efforts in logistics and inventory control.
Overall, the trend supports the company's strong working capital efficiency and operational agility in both domestic and international markets.

2. Asset Turnover

(Revenue / Avg. total assets)

Year	Avg Total Assets	Revenue (₹ Cr)	**Asset Turnover**
FY20	12,730.59	17195	**1.36**
FY21	16,070.04	21713	**1.36**
FY22	20,361.09	29102	**1.43**
FY23	24,108.97	34489	**1.44**
FY24	27,861.05	30728	**1.11**

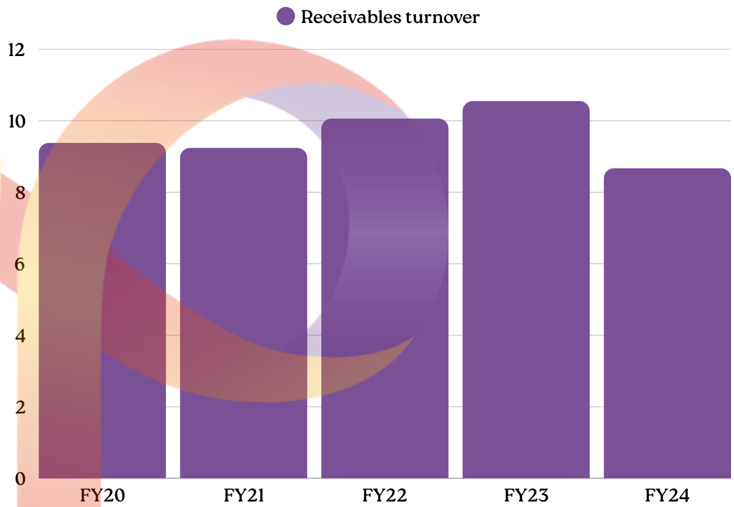


Asian Paints has maintained a stable asset turnover ratio between 1.3x and 1.4x from FY20 to FY23, indicating a consistently efficient use of total assets to generate revenue. The company has historically converted its asset base into sales at a strong pace, reflecting well-managed production capacity, retail distribution, and asset-light expansion strategies.
However, in FY24, the ratio declined to just above 1.1x, primarily due to a slower topline against the backdrop of continued capital investments in manufacturing and digital infrastructure. Despite the recent dip, Asian Paints' asset turnover remains healthy for a capital-intensive manufacturing firm, and the trend aligns with its long-term growth focus.

3. Receivables Turnover

(Revenue / Average Trade Receivables)

Year	Avg T.R	Revenue (₹ Cr)	**Receivables turnover**
FY20	1,834.84	17195	**9.38**
FY21	2,350.81	21713	**9.24**
FY22	2,895.55	29102	**10.06**
FY23	3,270.96	34489	**10.55**
FY24	3,548.03	30728	**8.67**



Asian Paints has maintained a consistently strong receivables turnover ratio, averaging around 9 to 10 times annually over the last five years. This indicates the company collects its dues quickly and manages credit risk effectively, which is crucial in a high-volume, distributor-led business model.The peak of 10.55x in FY23 reflects exceptionally efficient collection practices and possibly tighter credit terms amid a strong demand environment. The moderate decline to 8.67x in FY24 may be attributed to slower revenue growth combined with slightly higher receivable balances, possibly reflecting extended credit cycles or softer sales in certain segments.

Together, the efficiency ratios reflect Asian Paints' well-balanced operating model, combining strong supply chain management, disciplined credit control, and strategic asset utilization.
The upward trend in inventory turnover and stable receivables turnover highlight the company's ability to efficiently convert working capital into revenue, while the asset turnover ratio indicates prudent use of fixed capital, even during expansion phases. Overall, these metrics confirm that Asian Paints is not only operationally efficient but also highly effective in monetizing its resources, sustaining profitability and liquidity without overextending its balance sheet.

Relative Valuation – Peer Comparison (FY24)

To assess whether Asian Paints is overvalued, undervalued, or fairly priced, a peer comparison is conducted using key valuation metrics. The selected companies are active in the Indian decorative paints, industrial coatings, or adjacent chemicals/home improvement space.

Company	P/E (TTM)	EV/EBITDA	P/B Ratio	ROCE (%)	ROE (%)	3Y PAT CAGR (%)	Market Cap (₹ Cr)
Asian Paints	**62.1**	**42.8**	**18.3**	**41.2**	**25.2**	**8.50%**	**₹320,000**
Berger Paints	59	38.7	15.5	28	22.5	7.00%	₹85,000
K. Nerolac	45.3	31.2	6.4	18.2	13.7	5.30%	₹27,000
A. Nobel India	35.1	21.8	5.9	21	17.2	4.70%	₹12,500
Pidilite	79.5	50.4	17.6	31.5	23.4	11.20%	₹150,000

Interpretation

- *Valuation Multiples:*

Asian Paints trades at a premium across all major valuation metrics—notably a P/E of ~62x and EV/EBITDA of ~43x (as of FY24). This reflects investor confidence in its brand strength, pricing power, and capital efficiency, as seen in its industry-leading ROCE (41.2%).

Compared to Berger Paints and Kansai Nerolac, Asian Paints' multiples are significantly higher, but so are its margins, scale, and service diversification. Pidilite trades at an even higher P/E due to its monopoly-like position in adhesives, making it a helpful comparator for brand-driven businesses.

- *Strategic Premium Justification:*

Asian Paints commands a valuation premium due to its:

- Proven resilience during economic downturns
- Leadership in innovation and market share
- Transition into high-margin adjacencies (furnishings, services)
- Consistent cash generation and high return ratios

Thus, while it may appear overvalued in absolute terms, its relative valuation aligns with its performance leadership and long-term strategy.

Discounted Cash Flow Evaluation

Discounted Cash Flow (DCF) Valuation estimates the intrinsic value of Asian Paints based on its projected future free cash flows.
This method reflects the company's ability to generate sustainable cash over time, adjusted to present value using a suitable discount rate.
The analysis is based on five-year forecasts and a terminal value, applying conservative assumptions for growth and capital costs

✷ ***Key Assumption Table***

Input	**Value**	**Source / Rationale**
Revenue (FY24)	₹30,728 Cr	FY24 annual report
EBIT Margin	23%	FY24 and 3-year average
Tax Rate	25%	Standard Indian corporate rate
Depreciation (FY24)	₹775 Cr	Based on recent trend
CapEx (FY24)	₹1,650 Cr	Company disclosures
Forecast Period	5 years	Standard DCF practice
Revenue Growth Rate (CAGR)	10%	Based on past 5-year trend
Terminal Growth Rate (g)	4%	Conservative, below India's nominal GDP
WACC	10%	Reflects stable, blue-chip risk profile

1. ***Free Cash Flow Forecast Table***

Year	Revenue (₹ Cr) (Revenue x CAGR)	EBIT (Revenue x 23%)	NOPAT (EBIT × 0.75)	D&A*	CapEx	Free Cash Flow (FCF) (NOPAT + Depreciation – CapEx)
2025	33800	7774	5830	814	1733	4911
2026	37180	8551	6414	855	1820	5449
2027	40898	9406	7055	898	1911	6042
2028	44988	10347	7761	943	2007	6697
2029	49487	11382	8537	991	2108	7420

**growth rate assumed for D&A and CapEx is 5%*

2. Terminal Value Calculation

Formula:

Terminal Value = FCF (2029) × (1 + g) / (WACC - g)

Calculation:

Termninal value = 7420*(1.04) / (0.1-0.04)

= 1,28,613

3. Present Value of Cash Flows Table

Year	FCF (₹ Cr)	Discount Factor (1 / (1+WACC)^n)	PV of FCF
2025	4911	1/(1.1)^1	4465
2026	5449	1/(1.1)^2	4504
2027	6042	1/(1.1)^3	4540
2028	6697	1/(1.1)^4	4575
2029	7420	1/(1.1)^5	4608
Terminal Value	128613	1/(1.1)^5	79859
Total Enterprise Value	-	-	102551

4. *Equity Value Calculation*

Formula :

Enterprise Value – Net Debt = Equity Value

Equity Value / Shares Outstanding = Intrinsic Share Price

Calculation:

Net Debt = Total Debt - cash & cash equivalents

As per the annua report FY24,

- *Total Debt (Short + Long-Term): ₹1,378.4 Cr*
- *Cash & Equivalents: ₹3,505.5 Cr*

Therefore,Net Debt = –₹2,127.1 (i.e net cash positive)

Outstanding shares: 958,963,731 (as on 13th may and as per companiesmarketcap.com)

NOW, Enterprise Value – Net Debt = Equity Value

*102551+2127= **₹104678 Cr***

Equity Value / Shares Outstanding = Intrinsic Share Price

*104678/95.90 = **₹1091.53***

5. Conclusion For the D.C.F Evaluation

Based on the Discounted Cash Flow (DCF) analysis conducted in this report, the estimated intrinsic value per share of Asian Paints is approximately ₹1,092, compared to the current market price of around ₹2,300 (as of May 2025). This suggests that, under the base-case assumptions applied, the stock appears overvalued.

However, it is critical to understand that a DCF model is highly sensitive to its inputs, and the intrinsic value derived from it reflects a single scenario, in this case, a conservative base case. The model assumes a 10% revenue CAGR over the next five years, an EBIT margin of 23%, and a terminal growth rate of 4%, with a discount rate (WACC) of 10%. These assumptions, while reasonable and aligned with recent financial history, may understate the market’s expectations for Asian Paints.

While the DCF model suggests overvaluation under a conservative lens, it is likely that the current market price reflects optimism around future growth, brand strength, margin resilience, and strategic optionality. Therefore, the intrinsic value of ₹1,092 should be viewed as a baseline, not a cap—offering a grounded foundation for more aggressive (bull case) or bearish (stress case) scenarios.

Economic Sustainability & CapEx Strategy at Asian Paints (FY20–FY24)

Asian Paints' long-term sustainability is rooted not only in its dominant market share and financial strength, but also in its ability to evolve as a capital-efficient, innovation-led brand in a competitive landscape.

Over FY20–FY24, the company consistently demonstrated strong free cash flows, minimal leverage, and robust return on capital employed (ROCE) despite investing in new verticals like home décor and backward integration. Its economic sustainability can be analyzed through the following lenses:

1. Capital Allocation Discipline

- Asian Paints maintained a 30–40% ROCE through the period, significantly above industry averages.
- Despite growing revenue from ₹17,194 Cr in FY20 to ₹30,727 Cr in FY24, it kept CapEx relatively lean.
- The company follows an asset-light model for its service operations (painting and décor), which keeps fixed cost burden low while expanding market presence.

2. *Capex Trends*

Year	CapEx (₹ Cr)*	Key Investments
FY20	~850	Plant maintenance, decorative expansion
FY21	~980	New facilities, digital infra
FY22	~1,300	Backward integration (VAM), bath fittings
FY23	~1,500	Expansion in white cement, décor showrooms
FY24	~1,650	Smart factories, automation, warehousing

**Estimates based on annual reports and disclosures*

- CapEx grew steadily but remained well-aligned with revenue growth.
- Focus shifted from capacity addition to efficiency-driven investments like smart warehousing and raw material integration.
- The white cement plant and VAM project are expected to improve gross margins and reduce raw material price volatility.

3. Margin Protection Amid Volatility

- During FY22–23, raw material inflation squeezed margins across the industry.
- Asian Paints responded by:
  - Launching high-margin SKUs
  - Integrating backward into raw material production
  - Using pricing power to pass costs selectively

4. Strategic Long-Term Thinking

- The company’s economic model is designed around recurring demand (repainting, waterproofing, upgrades) and brand lock-in.
- By building adjacencies like modular kitchens, the company increases customer touchpoints without increasing CapEx in proportion.

<u>Final Thoughts :-</u>

Asian Paints has shown that a business can grow aggressively without compromising economic sustainability. Its CapEx approach focused on strategic inputs, tech upgrades, and platform development supports long-term margin stability and brand expansion, while keeping ROCE high and balance sheet light.

Conclusion

Over the past five years, Asian Paints Ltd. has reinforced its position as a market leader in India's decorative coatings industry while steadily evolving into a multi-dimensional home solutions company. This comprehensive financial analysis, covering FY20 to FY24, illustrates not only the company's robust growth trajectory but also its strong fundamentals, efficient capital utilization, and consistent shareholder value creation.
Through its wide-ranging product portfolio—spanning decorative paints, waterproofing, industrial coatings, modular kitchens, and bath solutions—Asian Paints has established a highly defensible market position supported by brand trust, distribution strength, and operational excellence. Despite macroeconomic headwinds, the company has maintained commendable profitability, strong liquidity, and negligible financial leverage, reflecting its prudent fiscal management.
Return ratios such as ROCE and ROE remained consistently high, highlighting exceptional capital efficiency. Liquidity and leverage metrics further underline the company's conservative yet resilient financial structure, with a net cash position each year from FY20 to FY24. Efficiency ratios indicate tight control over working capital and supply chain optimization, while valuation analysis—both relative and DCF-based—adds further depth to the overall investment perspective.
The integrated visual presentation of key financial metrics, trend analysis, and segmental performance charts has been designed to offer a clear and accessible view of the company's financial evolution. These visuals support a data-driven narrative of consistent growth, innovation-driven expansion, and sustained financial discipline.

- ***Reference Note***

All financial data and ratios in this report have been sourced directly from the official annual reports of Asian Paints Ltd. for FY2020 to FY2024 and have been manually verified for accuracy.
All charts, financial models, and supporting visuals are derived from data published in these annual reports. In cases where detailed segmental or market-related breakdowns were not explicitly available, information has been obtained from reliable and publicly available online sources, ensuring a fair and well-rounded representation of the company's performance.
This report is intended to serve as a comprehensive financial insight into Asian Paints Ltd., useful for academic purposes, internship applications, and industry interviews. The analysis aims to reflect the standards of a professional equity research case study, combining accuracy with clear communication and structured thought.