

Company Review- BalancingAF

ASIAN PAINTS LIMITED- Colouring your world

India's largest paint company and 3rd largest in Asia

History:

It was the year 1942, during World War II when a temporary ban was imposed on imports of paints. There was only one domestic player called Shalimar paints, it was then a 26 yr old entrepreneur Champaklal H Choksey with 3 other friends —Chimanlal N Choksi (not related to Choksey), Suryakant C. Dani, and Arvind R. Vakil—set up Asian Paints. By 1967, Asian paints had become the largest paint company in India – A position it holds till today. Today Asian Paints has its presence in over 60 countries and operates in 16 countries.

Business:

- Back in 1940s, the management chose the decorative retail segment instead of industrial paint, which was largely price driven (company with lowest price wins).
- Now in place of serving the urban markets, the company turned to the rural areas selling directly to the shopkeepers. The management resorted to addressing demand uniquely. Example, in Tamil Nadu (Pongal) and in Maharashtra (Pola) villagers paint the horns of bulls, therefore, bright colours were required in small quantities. Choksey sought the opportunity and filled the demand gap. Analyzing the demand better than competitors and excelling into a segment like home décor was a simple model of Asian paints. Asian Paints owns 55% of market share in decorative retail segment as on 2019.
- In 1970s when India started expanding, the management traced the gap in demand and supply and the lack of any big player so the company expanded in Industrial paints but there's still more scope of expansion in this segment.

Asian Paints manufactures wide range of paints for *Decorative* and *Industrial* use

In *Decorative paints*, Asian Paints is present in all the four segments- Interior Wall Finishes, Exterior Wall Finishes, Enamels and Wood Finishes. It also offers Water proofing, wall coverings and adhesives in its product portfolio.

In *Industrial paints*, Asian Paints also operates through 'PPG Asian Paints Pvt Ltd' to service the increasing requirements of the Indian automotive coatings market. The second 50:50 with PPG named 'Asian Paints PPG Pvt Ltd' services the protective, industrial powder, industrial containers and light industrial coatings markets in India.

In the *Home Improvement and Décor category*, the company is present in the Kitchen and Bath fittings space and offers various products under Sleek and Ess Ess brand (prominent player in bath segment) respectively.

What makes Asian paints the lead player?

- Asian paints was the first company to equip a mainframe computer to forecast demand and consistently improve its supply chains- the single largest driver of competitive advantage for Asian paints to date .
- The company has entered into home improvement solutions, colour consultancy, Colour ideas stores just when the industry witnessed saturation, Asian paints diversified into new segments.
- Asian paints has over 65000 distributors twice that of Berger paints(second largest decorative paint company)

Date: 13th May,2020

Company Logo:



Company Overview:

Incorporation- 1942

Chairman- Mr. Ashwin Dani

Headquarters- Mumbai

(Maharashtra)

Stock Info:

Sector- Paints

Beta- 0.76

Market Cap- 150,124.05 (Rs crs)

CMP-Rs 15,63.30

P/E -

- Company- 55.27
- Industry- 65.44

ROE- 24.01%

ROCE- 33.96%

EPS(Basic & Diluted) - 22.26

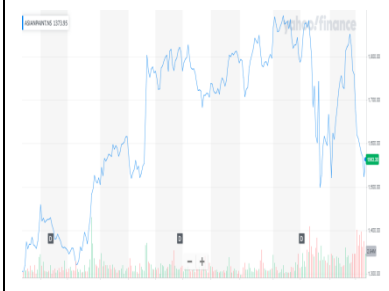
Shareholding Pattern:

Promoters-52.79%

Public- 47.21%

Stock Performance

(1 year):



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- When talking about Innovation, The Company came up with anti-asthmatic, anti- corrosion, organic paints, and long lasting paints with Royal Health Shield, Apcolite Rust shield, Nilaya Naturals and Protek Lamino, respectively.
- Amid the pandemic, Asian paints announced its foray into hand sanitizer category with the launch of **Viroprotek** range of hand and surface sanitizers.
- When GST credit was allowed, one of the biggest beneficiaries in the paints industry was Asian paints and led to rise in demand for their products.
- Post the pandemic, the paint industry expects the growth to rise since people will become more hygiene conscious .It is expected to undergo a quick rebound.

Financials:

(Consolidated- Rs crore)

Particulars	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	FY17	FY18	FY19
Sales	5,293.99	5,018.21	5,130.63	5,050.66	5,420.28	15,168.2	16,843.8	19,349.8
EBITDA	1,153.73	940.99	1,229.81	1,059.98	1,259.22	3,248.85	3,418.23	3,751.58
EBITDA Margin (%)	21.79%	18.75%	23.96%	20.98%	23.23%	21.41%	20.29%	19.38%
NET PROFIT	635.83	473.11	655.44	823.41	764.43	1,939.43	2,038.9	2,159.49

Notes:

- Capex plan for FY20 is Rs 700 crore.
- The demand conditions had been weak due to an extended Monsoon season.
- The persistent slowdown experienced by the automotive industry continued to adversely impact the automotive coatings.
- International business, the performance was impacted by slowdown in certain regions.
- Home Improvement business faced challenges with slowdown in real estate. However, the retail segment grew well.

Industrial overview:

The domestic paint industry is estimated to be a 50,000 Crore industry with the decorative paint category constituting almost 75% of this market. The industrial paint category constitutes the balance 25% of the paint market and includes a broad array of segments like automotive coatings, marine coatings, packaging coatings etc. The automotive coatings market is primarily dependent on the auto and two-wheeler industry builds and the significant slowdown. Primary growth drivers – Rise in demand for houses (Housing sector), growth in Real Estate, GDP growth (if GDP grows by X, Paint industry will grow by 1.5X).

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