

Stock Info

Symbol	ASIANPAINT
CMP	₹ 2,858.45
P/E Ratio (TTM)	50.89
Enterprise Value	₹ 2,78,636 Cr
Market CAP	₹ 2,77,774 Cr
52w H/L (Rs)	₹ 3543.7 - ₹ 2710.1

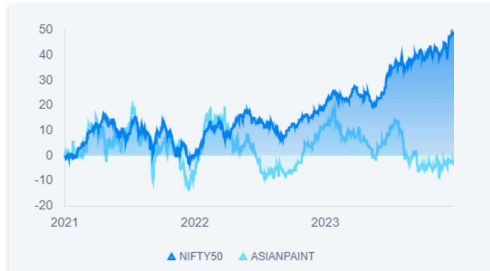
Financial Ratios

ROE (TTM)	29.16
ROCE (TTM)	35.17
PEG Ratio (TTM)	1.55
Net Profit Margin (TTM)	15.66
EV/EBITDA (TTM)	32.64
Price/Book Value (TTM)	14.58
Dividend Yield (TTM)	1.17

Shareholding Pattern

PARTICULARS	SEPT 23	DEC 23	MAR 24
Promoters	52.63	52.63	52.63
Share Holding Pledge	6.49	6.58	7.04
FII	17.65	17.32	15.89
Total DII	9.28	9.81	11.66
Public	20.45	20.24	19.82

Indexed Stock Performance



PARTICULARS	ASIANPAINT	NIFTY50
2022	-8.96%	3.21%
2023	11.65%	19.42%
YTD	-14.72%	8.26%
CAGR	-1.21%	14.06%

Analyst

Anoushika Roy

Company Overview

Founded in 1942, Asian Paints has grown to become the leading integrated home décor player in India. The company stands as the number-one player in Integrated home décor, Decorative lighting and Fabric, and Furnishing. Asian paints have a presence in Asia, the Middle East, Africa, and South Pacific. The company has 1,850,000 Installed in-house decorative paint manufacturing capacity in India (KL/annum) and 27 in-house paint manufacturing facilities worldwide. They have expanded their operations to 60 Beautiful Homes stores and 160,000+ Retail touchpoints across India.

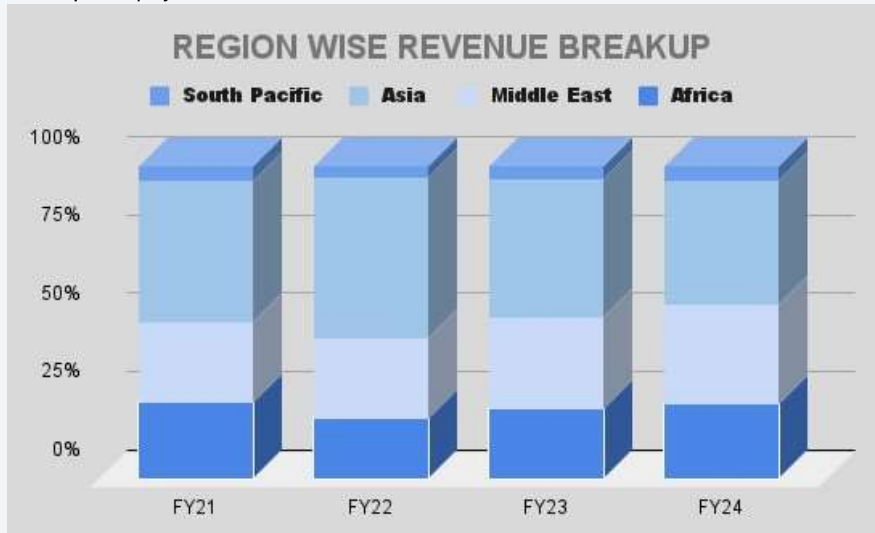
Key Highlights/strengths of the company

1. Number 2 Paint company in Asia
2. Number 8 Paint company in the world
3. Present in 60+ Countries
4. 142 Patents filed to date. 21 additional filed in FY 2023-24
5. 72 Patents granted to date. 19 added in FY 2023-24
6. No. 2 in Fabric & Furnishing
7. No. 1 in Wallcovering & Textures
8. It has been commanding a premium in the market by at least 5-10% of the overall prices.

Brands owned by the company



Revenue Breakup of Company



(Source: Company reports)

1. The company stated that inflation in Egypt and Ethiopia continued its upward trend, as a result of which steep price increases were resorted in the Egypt and Ethiopia markets to protect margins.
2. Further, the Demand environment in Nepal remained extremely challenging with tight liquidity conditions across the trade channel severely impacting the business.

Investment Rationale

Revenue and Margin growth: The company saw a slower growth in Sales Value (20% in FY24 vs 3% in FY24) and volume (14% in FY23 vs 9% in FY24). The topline growth of industrial liquid paints was driven by major infrastructure investments, including the construction of airports, commercial buildings, ports, and power generation (renewable and thermal). They took 3.5% price cuts during the Q4 which further impacted its revenue growth. A growth of 8-10% is expected in FY25/26.

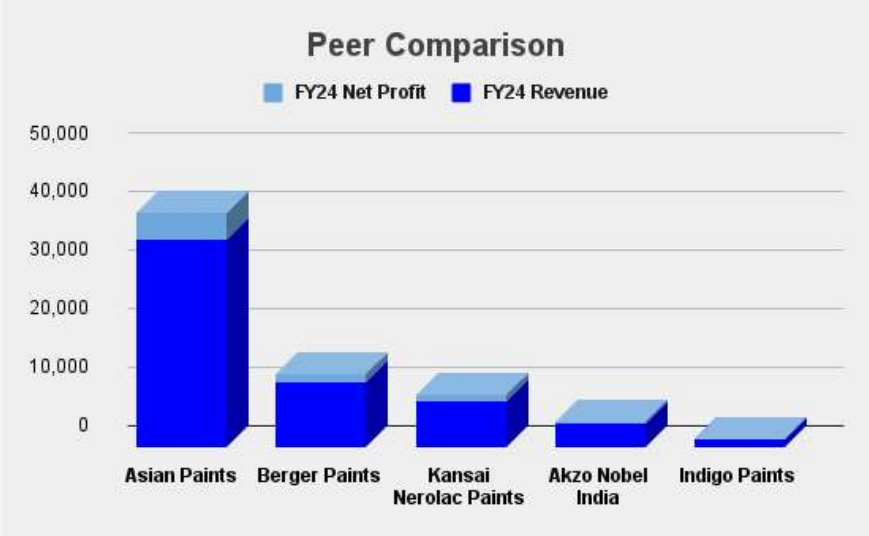
New business segment: The company is planning to add 85-90 stores to boost the decor business in FY24. It also launched 'Neo Bharat Latex Paint' to make it more accessible to consumers. Further, their abrasive category showed remarkable resilience and growth.

Expansion Plans: Asian paints partnered with PPG Industries Inc., USA, has been one of the key highlights of the year. It has Capex Plans of Rs 3,400+ Crores supporting the growth plan over the next 3 years which will add 5.40 Lakhs KL per annum to their existing capacity. Partnership with GCPL to set up a manufacturing facility for Vinyl Acetate Ethylene Emulsion (VAE) and Vinyl Acetate Monomer (VAM) at Dahej in Gujarat, to be completed by 2026. The company/annum in-house paint manufacturing capacity after expansion. plans to achieve 2,670,000 KL.

Growth outlook: The company is expected to deliver double-digit growth in FY25. An increase in rural demand is expected. Products launched in the premium and luxury segments are set to experience higher demand. Q2/Q3 of FY24 might be slower as monsoon in anticipation of above normal monsoon. The Company to maintain a EBITDA margin between 18-20% in FY 25/26. Optimistic about FY25, expecting strong double-digit volume growth.

► Risks and concerns

Peer Comparison



(Source: Company reports, Trade brains research)

Asian Paints is the largest company in terms of market cap~2,80,000 Cr while its next biggest pureplay competitor is Berger Paints with a market cap~58,500 Cr. The entry of Grasim Industries (market cap~1,65,000Cr) -Birla Opus will compete with Asian paints. New entrants in the paint sector are unlikely to replicate the extensive distribution network and market penetration achieved by Asian Paints, expects the CEO of the company.

Conference call highlights

1. In FY24, their sale value growth was around 3% with volume growth of 9%.
2. The company's industrial business performed well, with Industrial sales showing strong growth in both volume and value.
3. Their Product mix underperformed in Q4, except for the Economy and Luxury segments.
4. Some price cuts were made by the company up to 3.5% despite which the gross margins remained moderate. Further, management is expecting benign pricing in the coming quarter.
5. Asian Paints is planning to reach 150-200 stores in the next five years. In addition to that, they are also planning on increasing the per square feet size of stores to 2X-3X.
6. The management has guided double-digit volume growth for 1QFY25/full year (FY25). In addition to this, the international business reported 2% sales growth in INR terms but delivered double-digit growth ex-Nepal in 4QFY24.

► Outlook and & Valuation

Profit and Loss (Extract)

Particular (Rs in Cr)	2022	2023	2024	2025E	2026E
Revenue from sale of products and services	29100	34,489	35,495	38,500	43,000
Change (%)	30%	18%	3%	8%	10%
Raw material Cost	16,254	21,157	20,090	22,099	24,309
Employee Benefits Expense	1,786	2,028	2,326	2,675	3,076
Other Cost	4,210	5,044	5,493	6,206	6,846
EBITDA	6,850	6,259	7,585	7,520	8,769
EBITDA Margin (%)	24%	18%	21%	20%	20%
Depreciation	816	858	853	1,000	1,200
EBIT	6,034	5,401	6,732	6,520	7,569
EBIT Margin (%)	21%	16%	19%	17%	18%
Interest	95	144	205	220	235
Tax Paid	1,102	1,494	1,790	1,907	2,085
Net Profit	4,837	3,763	4,737	4,393	5,249
NPM (%)	17%	11%	13%	11%	12%

(Source: Company reports, Trade brains research)

Balance sheet (Extract)

Particular (Rs in Cr)	2022	2023	2024	2025E	2026E
Cash & bank	2283	3010	3614	4412	5432
Debtors	3872	4640	3500	3860	4250
Inventory	6152	6211	6392	7495	8281
Other current assets	3034	3034	3034	3034	3034
Investments	3248	4262	4395	4550	4690

Net fixed Assets	4554	4643	5360	6325	7465
Current liabilities	7571	7896	8501	9020	9550
Other Liabilities	1887	459	484	525	570
Non-current liabilities	1214	1456	1999	2590	1288
Provisions	199.82	231	223	235	250
Equity Share Capital	95	95	95	95	95
Reserves & surplus	13,715	15895	18000	19650	21750
Total equity & liabilities	13810	15990	18095	19745	21845

(Source: Company reports, Trade brains research)

Cashflow Statement (Extract)					
Particular (Rs in Cr)	2022	2023	2024	2025E	2026E
EBIT	6034	5401	6732	6520	7569
Depreciation	816	858	853	1000	1200
Change in working capital	-418	-598	-1063	-1300	-1000
Tax Paid	-1102	-1494	-1790	-1907	-2085
Other Changes	-4344	-26	1372	1650	2010
Cash flow from operating activities	986	4141	6104	7630	9538
Capital expenditure	-1300	-1703	-2000	-3200	-3200
Changes in investments	-862	-1014	-1333	-1400	-1400
Cash flow from investing activities	-322	-1275	-2518	-2800	-2800
Increased debt	50	93	5	0	0
Dividend paid	-1740	-1692	-2260	-3500	-3500
Cash flow from financing activities	-1808	-2140	-2982	-3500	-5500
Net change in Cash	-1144	727	604	785	1020
Opening Balance	3134	2283	3010	3627	4412
Closing Balance	2283	3010	3614	4412	5432
Free cashflow	2850	3164	3571	4050	4580

(Source: Company reports, Trade brains research)

► Summary

We retain a 'Buy' rating on the stock with a Target Price of Rs 3,500 per share in the next 10~12 months based on decent growth in Sales, profitability and expansion plans. The stocks remain at a good 'Accumulate' zone at Rs 2,700-2,950 levels.

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