

January 21, 2022

Q3FY22 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	3,762		3,675	
Sales (Rs. m)	338,738	390,018	334,371	384,973
% Chng.	1.3	1.3		
EBITDA (Rs. m)	67,739	81,980	63,174	79,647
% Chng.	7.2	2.9		
EPS (Rs.)	48.2	59.6	45.1	57.8
% Chng.	7.0	3.2		

Key Financials - Consolidated

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. m)	217,123	292,374	338,738	390,018
EBITDA (Rs. m)	48,552	48,472	67,739	81,980
Margin (%)	22.4	16.6	20.0	21.0
PAT (Rs. m)	31,388	31,913	46,229	57,181
EPS (Rs.)	32.7	33.3	48.2	59.6
Gr. (%)	16.2	1.7	44.9	23.7
DPS (Rs.)	4.9	19.0	22.5	26.0
Yield (%)	0.1	0.6	0.7	0.8
RoE (%)	27.4	23.5	29.6	31.0
RoCE (%)	34.4	28.7	36.7	38.4
EV/Sales (x)	14.4	10.7	9.2	8.0
EV/EBITDA (x)	64.6	64.6	46.1	37.9
PE (x)	101.0	99.4	68.6	55.5
P/BV (x)	24.8	22.1	18.9	15.8

Key Data

ASPN.BO | APNT IN

52-W High / Low	Rs.3,590 / Rs.2,260
Sensex / Nifty	59,465 / 17,757
Market Cap	Rs.3,173bn / \$ 42,582m
Shares Outstanding	959m
3M Avg. Daily Value	Rs.4248.41m

Shareholding Pattern (%)

Promoter's	52.65
Foreign	20.48
Domestic Institution	7.15
Public & Others	19.72
Promoter Pledge (Rs bn)	12.76

Stock Performance (%)

	1M	6M	12M
Absolute	2.1	4.7	22.6
Relative	(4.1)	(8.1)	2.7

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Strong Growth and Margin outlook; BUY

Quick Pointers:

- 18% volume growth in decorative segment while strong double digit growth in industrial Paints.
- 15% price hike taken in Nov/Dec across products leading to sequentially improvement in margins.

We increase our FY22/FY23/FY24 EPS by 13.6%/7%/3.2% given 1) strong pent-up demand 2) long runway for growth in Rurban India 3) bounce back in metro/Tier1/2 demand and 4) strong traction in project business. We believe long term structural levers remain intact led by 1) Market share gains in decorative paints from both organized & unorganized players 2) Increased distribution with addition of 45k+ retail points. 3) Innovations & focus on high growth waterproofing/ construction aids segment 4) Ramp up in Kitchen & Bath business (PBT breakeven in 3Q) and 5) Huge potential in contribution of new verticals of home décor (10%) and Services (7-8%) in 2-3 years.

APNT reported sequential improvement in margins on the back of 15% pricing action and superior mix led by strong growth in Metros/Tier1/2 cities. APNT remains confident of sustained improvement as 4Q on positive demand outlook and full impact of price hikes. APNT continues to remain a strong structural play given 1) double digit decorative paints Industry growth 2) innovation and marketing to ensure sustained leadership position and 3) scale up in emerging segments. We expect APNT to sustain premium valuations given strong growth visibility. We maintain BUY with a TP of Rs 3762 (Rs 3675 earlier). Any structural margin correction post Grasim's entry in Decorative paints is a risk to our call.

Decorative volumes up 18%; Margins at 18.1%: Revenues grew by 25.6% YoY to Rs85.3bn (PLe: Rs86.2bn). Decorative volume grew by 18%; while Industrial Coatings business registered double digit growth. Gross margins contracted by 832bps YoY to 36.8%. EBITDA declined by 13.7% YoY to Rs15.4bn (PLe:Rs12.5bn). Margins contracted by 825bps YoY to 18.1% (PLe:14.5%). Adj. PAT declined by 18.5% YoY to Rs10.3bn (PLe:Rs8.3bn). Standalone Revenues grew by 27.6% YoY to Rs74.9bn. Gross margins down by 865bps YoY to 37.5%; EBITDA margins down by 865bps YoY to 37.5%; Adj. PAT declined by 14.1% YoY to Rs10.2bn. Imputed Sub: Sales grew by 13.2% YoY; EBITDA declined by 44.6% YoY. IBD saw 9% value growth and was impacted by sluggish market conditions.

Concall Takeaways: 1) Strong festive season, good monsoon & positive sentiments in real estate sector leads to pent up demand. Tier 1/2 cities was stronger than Tier 3/4 cities. 2) Added 45k retail point in last 7 quarter & 1.4 lakhs touchpoints. 3) Margins to further improve in Q4FY22. 4) Expect RM inflationary trends to continue albeit at a slower pace. 5) With sustain price hike, except deferment in economy range. 6) Home décor segment revenue to contribute 8-10% of total business in next 2-3 years. 7) Currently operating at 75% utilization levels. Plans to increase capacity in next 2-3 years.

Exhibit 1: Q3FY22 Results- Consolidated (Rs mn): Revenues grew 25.6% EBITDA margins at 18.1%, Adj PAT de-grew 19%

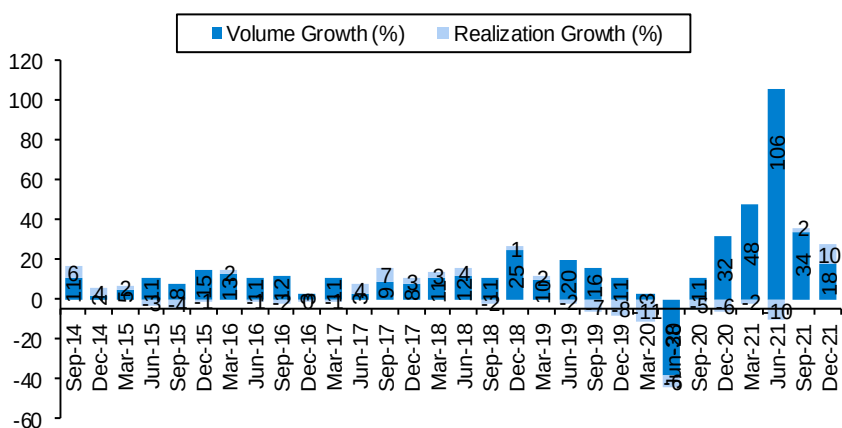
Consolidated	3QFY22	3QFY21	YoY gr. (%)	2QFY22	9MFY22	9MFY21	YoY gr. (%)
Net Sales	85,272	67,885	25.6	70,960	2,12,086	1,50,614	40.8
Gross Profit	31,339	30,600	2.4	24,656	77,459	67,435	14.9
% of NS	36.8	45.1	-8.3	34.7	36.5	44.8	-8.3
Other Expenses	15,916	12,721	25.1	15,611	43,856	32,061	36.8
% of NS	18.7	18.7		22.0	20.7	21.3	
EBITDA	15,423	17,879	-13.7	9,045	33,603	35,373	-5.0
Margins %	18.1	26.3	-8.3	12.7	15.8	23.5	-7.6
Depreciation	2,079	1,932	7.6	2,028	6,113	5,779	5.8
Interest	275	211	29.9	239	728	618	17.8
Other Income	718	979	-26.7	1,382	2,996	2,276	31.6
PBT	13,788	16,715	-17.5	8,160	29,759	31,253	-4.8
Tax	3,624	4,314	-16.0	2,211	7,878	8,112	-2.9
Tax rate %	26.3	25.8		27.1	26.5	26.0	
Adj. PAT	10,313	12,654	-18.5	6,052	22,108	23,369	-5.4

Source: Company Data, PL Research

Exhibit 2: Q3FY22 Results - Standalone (Rs mn): Revenues up 27.6%, EBITDA margins at 19.6%, PAT de-grew 14.1%

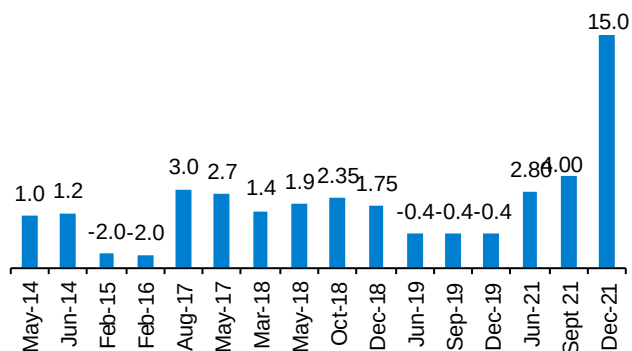
Standalone	3QFY22	3QFY21	YoY gr. (%)	2QFY22	9MFY22	9MFY21	YoY gr. (%)
Net Sales	74,911	58,728	27.6	61,519	1,84,289	1,28,461	43.5
Gross Profit	28,087	27,100	3.6	21,935	68,956	58,992	16.9
% of NS	37.5	46.1	-8.7	35.7	37.4	45.9	-8.5
Other Expenses	13,405	10,559	27.0	13,186	36,705	26,277	39.7
% of NS	17.9	18.0		21.4	19.9	20.5	
EBITDA	14,682	16,541	-11.2	8,749	32,251	32,715	-1.4
Margins %	19.6	28.2	-8.6	14.2	17.5	25.5	-8.0
Depreciation	1,840	1,690	8.9	1,799	5,402	5,046	7.1
Interest	215	168	28.1	181	560	471	19.0
Other Income	1,047	1,213	-13.7	1,525	3,628	2,675	35.6
PBT	13,674	15,896	-14.0	8,295	29,916	29,874	0.1
Tax	3,472	4,019	-13.6	2,109	7,569	7,540	0.4
Tax rate %	25.4	25.3		25.4	25.3	25.2	
Adj. PAT	10,203	11,878	-14.1	6,186	22,348	22,334	0.1

Source: Company Data, PL Research

Exhibit 3: Volumes grew 18% in 3Q22


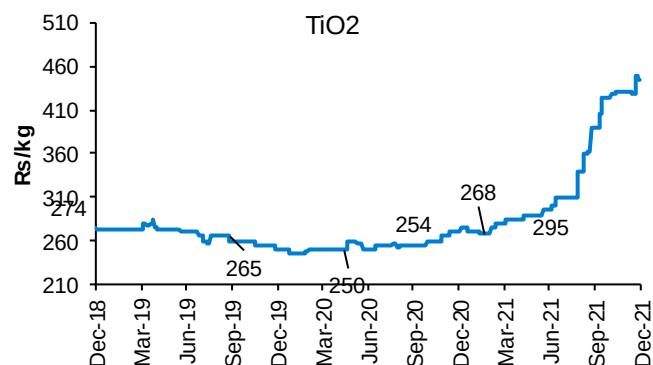
Source: Company, PL

Exhibit 4: Price increase of 15% taken in 3Q22



Source: Company, PL

Exhibit 5: Tio2 prices up 29.5% QoQ and 62.6% YoY



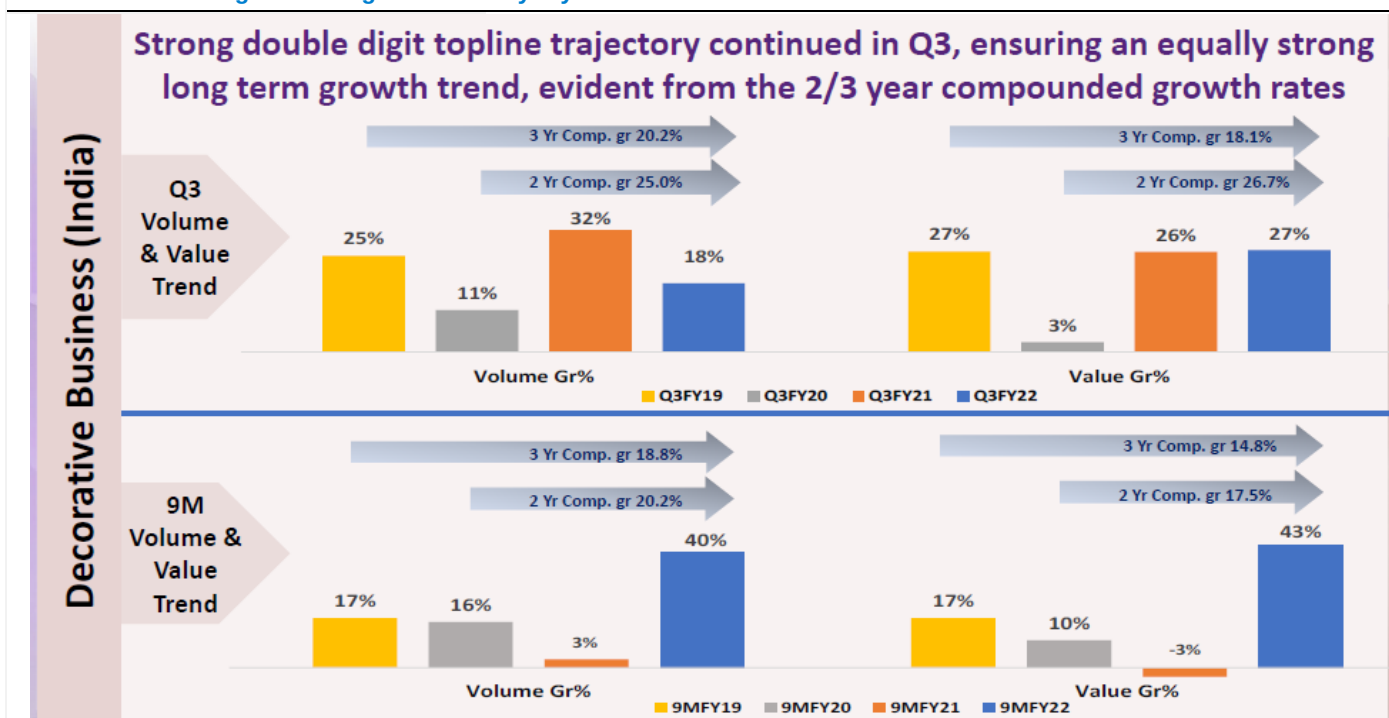
Source: Company, PL

Exhibit 6: International business improved, Challenges to remain in automotive sector while Topline in Home decor business maintained

	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22
International Business							
Revenue	4,000	6,660	7,110	7,390	6,180	7,070	7,760
Growth	-	67%	7%	4%	-16%	14%	10%
PBT	100	760	830	420	(30)	(100)	190
Margin	3%	11%	12%	6%	0%	-1%	2%
PPG-AP							
Revenue	840	2,835	3,936	3,330	2,550	3,770	4,150
Growth	-	238%	39%	-15%	-23%	48%	10%
PBT	-	310	-	-	(60)	270	400
Margin	-	-	-	-	-	-550%	48%
AP-PPG							
Revenue	584	1,161	1,585	1,930	1,550	1,800	2,110
Growth	-	99%	37%	22%	-20%	16%	17%
PBT	-	86	-	-	30	50	120
Margin	-	7%	-	-	2%	3%	6%
Kitchen Business							
Revenue	250	610	810	950	660	1,050	1,110
Growth	-	144%	33%	17%	-31%	59%	6%
PBT	(135)	(44)	(17)	(10)	(70)	-	-
Margin	-54%	-7%	-2%	-1%	-11%	0%	0%
Bath Business							
Revenue	250	550	730	930	560	930	1,030
Growth	-	120%	33%	27%	-40%	66%	11%
PBT	(74)	-	10	-	(10)	30	10
Margin	-30%	0%	1%	0%	-2%	3%	1%

Source: Company, PL

Exhibit 7: Double digit volume growth on a 2yr/3yr CAGR



Source: Company, PL

Exhibit 8: Innovation Pipeline remains strong in paints, waterproofing and Construction aids



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	217,123	292,374	338,738	390,018
YoY gr. (%)	7.4	34.7	15.9	15.1
Cost of Goods Sold	120,972	182,454	202,628	229,235
Gross Profit	96,151	109,921	136,110	160,783
Margin (%)	44.3	37.6	40.2	41.2
Employee Cost	15,408	17,856	19,799	22,352
Other Expenses	32,192	43,593	48,571	56,451
EBITDA	48,552	48,472	67,739	81,980
YoY gr. (%)	16.7	(0.2)	39.7	21.0
Margin (%)	22.4	16.6	20.0	21.0
Depreciation and Amortization	7,913	8,532	9,260	10,125
EBIT	40,639	39,940	58,480	71,854
Margin (%)	18.7	13.7	17.3	18.4
Net Interest	916	1,067	1,133	1,204
Other Income	3,031	3,810	5,045	6,513
Profit Before Tax	42,753	42,683	62,392	77,163
Margin (%)	19.7	14.6	18.4	19.8
Total Tax	10,976	11,183	16,347	20,217
Effective tax rate (%)	25.7	26.2	26.2	26.2
Profit after tax	31,777	31,500	46,045	56,946
Minority interest	675	205	579	636
Share Profit from Associate	286	618	763	871
Adjusted PAT	31,388	31,913	46,229	57,181
YoY gr. (%)	16.2	1.7	44.9	23.7
Margin (%)	14.5	10.9	13.6	14.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	31,388	31,913	46,229	57,181
YoY gr. (%)	16.4	1.7	44.9	23.7
Margin (%)	14.5	10.9	13.6	14.7
Other Comprehensive Income	(57)	(46)	(26)	9
Total Comprehensive Income	31,332	31,867	46,204	57,189
Equity Shares O/s (m)	959	959	959	959
EPS (Rs)	32.7	33.3	48.2	59.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	85,583	92,283	98,983	105,683
Tangibles	81,397	87,897	94,397	100,897
Intangibles	4,187	4,387	4,587	4,787
Acc: Dep / Amortization	38,480	44,557	51,092	58,083
Tangibles	36,633	42,389	48,587	55,227
Intangibles	1,847	2,168	2,505	2,856
Net fixed assets	47,103	47,726	47,891	47,600
Tangibles	44,764	45,508	45,810	45,670
Intangibles	2,340	2,218	2,082	1,930
Capital Work In Progress	1,830	3,000	3,000	3,000
Goodwill	3,026	3,026	3,026	3,026
Non-Current Investments	20,637	23,852	26,130	28,647
Net Deferred tax assets	(4,013)	(3,871)	(3,668)	(3,419)
Other Non-Current Assets	10,691	10,783	11,602	12,250
Current Assets				
Investments	32,671	33,451	40,908	59,245
Inventories	37,986	49,664	55,683	64,113
Trade receivables	26,022	32,041	36,194	40,605
Cash & Bank Balance	6,108	9,822	11,014	11,180
Other Current Assets	5,372	5,847	6,775	7,800
Total Assets	203,696	234,885	259,615	296,897
Equity				
Equity Share Capital	959	959	959	959
Other Equity	127,104	142,812	167,248	199,219
Total Network	128,063	143,771	168,207	200,179
Non-Current Liabilities				
Long Term borrowings	145	140	120	100
Provisions	2,152	2,161	2,396	2,705
Other non current liabilities	45	45	45	45
Current Liabilities				
ST Debt / Current of LT Debt	3,257	3,367	3,014	2,365
Trade payables	33,787	44,989	44,412	47,103
Other current liabilities	22,214	26,971	28,609	32,355
Total Equity & Liabilities	203,697	234,885	259,615	296,897

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	42,753	42,683	62,392	77,163
Add. Depreciation	7,913	8,532	9,260	10,125
Add. Interest	916	1,067	1,133	1,204
Less Financial Other Income	3,031	3,810	5,045	6,513
Add. Other	(145)	(108)	(119)	(131)
Op. profit before WC changes	51,437	52,174	72,666	88,362
Net Changes-WC	(35,498)	(15,008)	(25,515)	(33,128)
Direct tax	(10,976)	(11,183)	(16,347)	(20,217)
Net cash from Op. activities	4,963	25,984	30,803	35,017
Capital expenditures	(4,202)	(10,078)	(9,239)	(9,620)
Interest / Dividend Income	-	-	-	-
Others	653	(231)	(169)	(152)
Net Cash from Invt. activities	(3,549)	(10,309)	(9,408)	(9,772)
Issue of share cap. / premium	(414)	1,984	(579)	(636)
Debt changes	2,292	4,544	1,183	2,668
Dividend paid	(4,652)	(18,225)	(21,582)	(24,939)
Interest paid	(916)	(1,067)	(1,133)	(1,204)
Others	102	(62)	(93)	(139)
Net cash from Fin. activities	(3,588)	(12,826)	(22,203)	(24,251)
Net change in cash	(2,175)	2,849	(808)	995
Free Cash Flow	761	15,906	21,565	25,398

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	32.7	33.3	48.2	59.6
CEPS	41.0	42.2	57.8	70.2
BVPS	133.5	149.9	175.4	208.7
FCF	0.8	16.6	22.5	26.5
DPS	4.9	19.0	22.5	26.0
Return Ratio(%)				
RoCE	34.4	28.7	36.7	38.4
ROIC	38.1	30.7	40.2	45.5
RoE	27.4	23.5	29.6	31.0
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.3)	(0.3)	(0.3)
Net Working Capital (Days)	51	46	51	54
Valuation(x)				
PER	101.0	99.4	68.6	55.5
P/B	24.8	22.1	18.9	15.8
P/CEPS	80.7	78.4	57.2	47.1
EV/EBITDA	64.6	64.6	46.1	37.9
EV/Sales	14.4	10.7	9.2	8.0
Dividend Yield (%)	0.1	0.6	0.7	0.8

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Net Revenue	66,514	55,854	70,960	85,272
YoY gr. (%)	43.5	91.1	32.6	25.6
Raw Material Expenses	37,793	34,389	46,304	53,933
Gross Profit	28,721	21,464	24,656	31,339
Margin (%)	43.2	38.4	34.7	36.8
EBITDA	13,183	9,136	9,045	15,423
YoY gr. (%)	53.4	88.7	(28.5)	(13.7)
Margin (%)	19.8	16.4	12.7	18.1
Depreciation / Depletion	2,134	2,006	2,028	2,079
EBIT	11,049	7,130	7,017	13,344
Margin (%)	16.6	12.8	9.9	15.6
Net Interest	299	215	239	275
Other Income	754	896	1,382	718
Profit before Tax	11,505	7,811	8,160	13,788
Margin (%)	17.3	14.0	11.5	16.2
Total Tax	2,864	2,043	2,211	3,624
Effective tax rate (%)	24.9	26.2	27.1	26.3
Profit after Tax	8,640	5,768	5,950	10,163
Minority interest	-	-	-	-
Share Profit from Associates	59	(25)	102	150
Adjusted PAT	8,699	5,743	6,052	10,313
YoY gr. (%)	81.1	161.0	(27.5)	(18.5)
Margin (%)	13.1	10.3	8.5	12.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	8,699	5,743	6,052	10,313
YoY gr. (%)	81.1	161.0	(27.5)	(18.5)
Margin (%)	13.1	10.3	8.5	12.1
Other Comprehensive Income	(552)	79	(141)	-
Total Comprehensive Income	8,147	5,822	5,911	10,313
Avg. Shares O/s (m)	959	959	959	-
EPS (Rs)	9.1	6.0	6.3	-

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	6-Jan-22	BUY	3,675	3,527
2	21-Oct-21	BUY	3,675	3,002
3	6-Oct-21	BUY	3,507	3,212
4	20-Jul-21	BUY	3,511	3,159
5	5-Jul-21	BUY	3,136	3,005
6	12-May-21	BUY	3,136	2,556
7	7-Apr-21	Hold	2,829	2,622

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	BUY	3,675	3,527
2	Avenue Supermarts	Accumulate	5,345	4,731
3	Bajaj Electricals	Accumulate	1,230	1,223
4	Britannia Industries	Accumulate	4,093	3,660
5	Burger King India	BUY	242	140
6	Colgate Palmolive	Accumulate	1,852	1,466
7	Crompton Greaves Consumer Electricals	BUY	530	441
8	Dabur India	Accumulate	647	583
9	Emami	Accumulate	624	511
10	Havells India	Accumulate	1,400	1,380
11	Hindustan Unilever	Accumulate	2,930	2,416
12	ITC	BUY	270	221
13	Jubilant FoodWorks	Accumulate	4,109	3,638
14	Kansai Nerolac Paints	BUY	707	596
15	Marico	Hold	544	501
16	Mold-tek Packaging	UR	725	821
17	Nestle India	Accumulate	18,723	19,936
18	Pidilite Industries	Hold	2,491	2,638
19	Titan Company	BUY	2,651	2,576
20	Titan Company	BUY	2,915	2,596
21	Voltas	Hold	1,200	1,250
22	Westlife Development	Accumulate	603	542

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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