

January 21, 2021

Q3FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	HOLD		UNDER REVIEW	
Target Price	2,829		-	
Sales (Rs. m)	2,41,558	2,72,573	2,29,362	2,61,153
% Chng.	5.3	4.4		
EBITDA (Rs. m)	55,979	63,225	51,192	59,554
% Chng.	9.4	6.2		
EPS (Rs.)	39.4	46.2	35.6	42.9
% Chng.	10.9	7.6		

Key Financials - Consolidated

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	2,02,113	2,07,309	2,41,558	2,72,573
EBITDA (Rs. m)	41,618	48,573	55,979	63,225
Margin (%)	20.6	23.4	23.2	23.2
PAT (Rs. m)	27,023	31,249	37,839	44,311
EPS (Rs.)	28.2	32.6	39.4	46.2
Gr. (%)	25.5	15.6	21.1	17.1
DPS (Rs.)	18.2	12.0	14.0	17.0
Yield (%)	0.7	0.4	0.5	0.6
RoE (%)	27.6	27.9	28.1	27.6
RoCE (%)	32.9	34.8	33.7	32.3
EV/Sales (x)	13.0	12.5	10.7	9.4
EV/EBITDA (x)	62.9	53.5	46.1	40.5
PE (x)	97.3	84.1	69.5	59.3
P/BV (x)	25.9	21.4	17.9	15.1

Key Data

ASPN.BO | APNT IN

52-W High / Low	Rs.2,873 / Rs.1,431
Sensex / Nifty	49,625 / 14,590
Market Cap	Rs.2,628bn/ \$ 36,004m
Shares Outstanding	959m
3M Avg. Daily Value	Rs.11569.04m

Shareholding Pattern (%)

Promoter's	52.79
Foreign	21.13
Domestic Institution	7.02
Public & Others	19.06
Promoter Pledge (Rs bn)	10.67

Stock Performance (%)

	1M	6M	12M
Absolute	7.3	58.9	51.3
Relative	(1.5)	21.5	26.0

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Strong Tailwinds but "Add on declines only"

Quick Pointers:

- Domestic Decorative volumes grew 33%, International business recorded double digit volume growth
- Highest ever EBITDA margins on back of favorable sales mix, higher gross margins, cost optimization measures and innovative sourcing measures

We are increasing FY22 and F23 EPS by 10.9% and 7.6% and assign Hold rating on the back of robust growth outlook driven by 1) Increase in domestic decorative volume by 33% 2) Revival in consumer sentiment and pickup in housing construction activity 3) improved mix in tier1/2 cities and 4) pick up in International, auto and industrial coating business. We believe 4Q21 and 1Q22 should report strong volumes due to very poor base and strong market share gains, although incremental margin expansion looks unlikely due to higher input costs.

We remain constructive about the structural growth opportunity in decorative paints and huge advantage APNT has got in distribution, brand and systems and are factoring in volume growth of 20% and 13% for FY22 ND FY23, however sustaining 3Q like growth beyond next 2 quarters looks unlikely. We estimate 14.7% sales and 19% CAGR in PAT over FY21-23. We assign Hold rating with a DCF based target price of Rs2829. We would a buyer in the stock on corrections for long term gains only.

Consol sales up 25.2%, Volumes grew 33%: Consol sales grew 25.2% to Rs 67.9bn (Est Rs 60.70bn). Gross margins expanded by 210bps to 45.1% (Est 44%) due to favorable RM cost and efficient sourcing. EBIDTA grew by 50.3% to Rs 17.9bn (Est Rs 14.69bn), EBITDA margins expanded 440bps to 26.3% (Est 24.2%) due to favorable sales mix and cost optimization measures. Adj. PAT grew 62.3% to Rs 12.7bn (Est Rs 9.89bn) due to lower dep and interest cost and higher other income by 40%. Standalone sales increased 26.1% to Rs 58.7bn, Gross margins expanded by 220bps to 46.1% and EBITDA margins expanded by 420bps to 28.2%. Adj. PAT up 56.5% to Rs 11.9bn. Imputed sub sales grew by 19.9%, EBIDTA grew 87.1%.

Concall Takeaways: 1) Continued strong growth in Tier2/3/4 markets along with robust demand from metros and Tier 1 cities. 2) Demand drivers in 3Q: Festive and marriage demand, pent up demand from 1H21, increase in construction activity. However, pent up demand will reduce in 4Q but overall demand to be strong. 3) Inflationary trend (up 6-9%) of RM will weigh down on GRMs in 4Q. 4) Kitchen business attained break-even at EBITDA level for the first time. 5) Industrial business (PPG-AP, AP-PPG) recorded double digit value growth led by recovery in auto sales, builds and powder coating segment. 6) International business registered double digit volume growth; strong recovery in Asia and Middle East. 7) APNT has 16 Décor outlets across India and plans to double in next 2 years. 8) Current capacity utilization at 60% and has sufficient capacity for next 2-3 years.

Exhibit 1: Q3FY21 Results- Consolidated (Rs m): Revenues grew 25.2% EBIDA margins at 26.3%, Adj PAT grew 62.3%

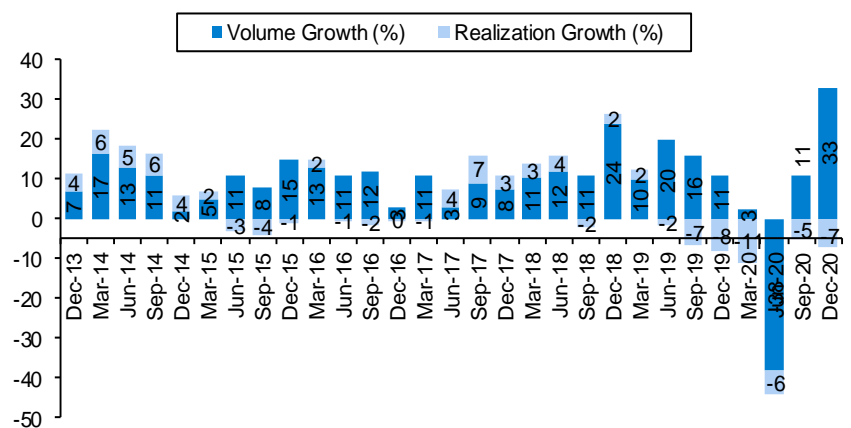
Consolidated	3QFY21	3QFY20	YoY gr. (%)	2QFY21	9MFY21	9MFY20	YoY gr. (%)
Net Sales	67,885	54,203	25.2	53,502	1,50,614	1,55,757	-3.3
Gross Profit	30,600	23,313	31.3	23,758	67,434	67,028	0.6
% of NS	45.1	43.0	2.1	44.4	44.8	43.0	1.7
Other Expenses	12,721	11,419	11.4	11,106	32,061	34,006	-5.7
% of NS	18.7	21.1		20.8	21.3	21.8	
EBITDA	17,879	11,894	50.3	12,652	35,373	33,022	7.1
Margins %	26.3	21.9	4.4	23.6	23.5	21.2	2.3
Depreciation	1,932	1,971	-2.0	1,936	5,779	5,860	-1.4
Interest	211	241	-12.2	205	618	767	-19.4
Other Income	979	698	40.2	826	2,276	2,485	-8.4
PBT	16,715	10,381	61.0	11,337	31,253	28,880	8.2
Tax	4,314	2,776	55.4	2,936	8,112	6,359	27.6
Tax rate %	25.8	26.7		25.9	26.0	22.0	
Adjusted PAT	12,654	7,797	62.3	8,349	23,202	22,583	2.7

Source: Company Data, PL Research

Exhibit 2: Q3FY21 Results - Standalone (Rs m): Revenues at 26.2%, EBITDA/PAT grew 48.0%/56.5%

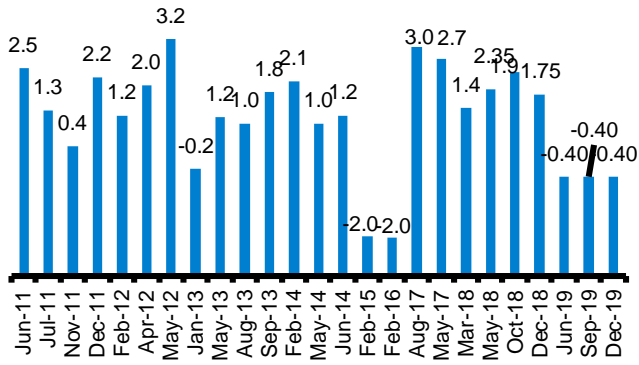
Standalone	3QFY21	3QFY20	YoY gr. (%)	2QFY21	9MFY21	9MFY20	YoY gr. (%)
Net Sales	58,728	46,569	26.1	45,267	1,28,461	1,33,151	-3.5
Gross Profit	27,100	20,470	32.4	20,554	58,992	58,649	0.6
% of NS	46.1	44.0	2.2	45.4	45.9	44.0	1.9
Other Expenses	10,558	9,291	13.6	9,058	26,284	27,837	-5.6
% of NS	18.0	20.0		20.0	20.5	20.9	
EBITDA	16,542	11,179	48.0	11,496	32,708	30,812	6.2
Margins %	28.2	24.0	4.2	25.4	25.5	23.1	2.3
Depreciation	1,690	1,737	-2.7	1,687	5,046	5,178	-2.6
Interest	168	196	-14.2	153	471	590	-20.3
Other Income	1,214	928	30.9	945	2,677	2,924	-8.4
PBT	15,898	10,174	56.3	10,601	29,869	27,968	6.8
Tax	4,019	2,585	55.4	2,670	7,540	5,949	26.7
Tax rate %	25.3	25.4		25.2	25.2	21.3	
Adjusted PAT	11,879	7,589	56.5	7,931	22,329	22,019	1.4

Source: Company Data, PL Research

Exhibit 3: 3Q volumes grew 30%


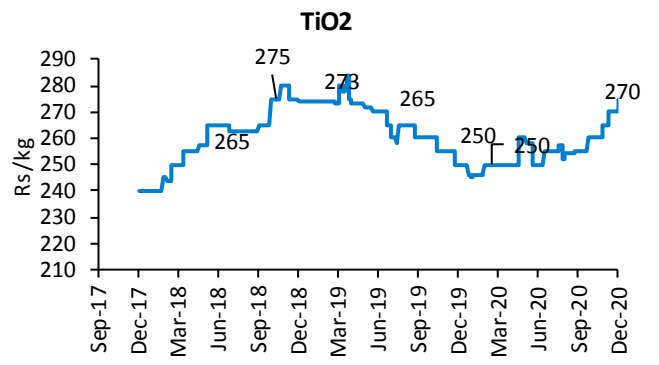
Source: Company, PL

Exhibit 4: Cumulative 1% price cut in FY20

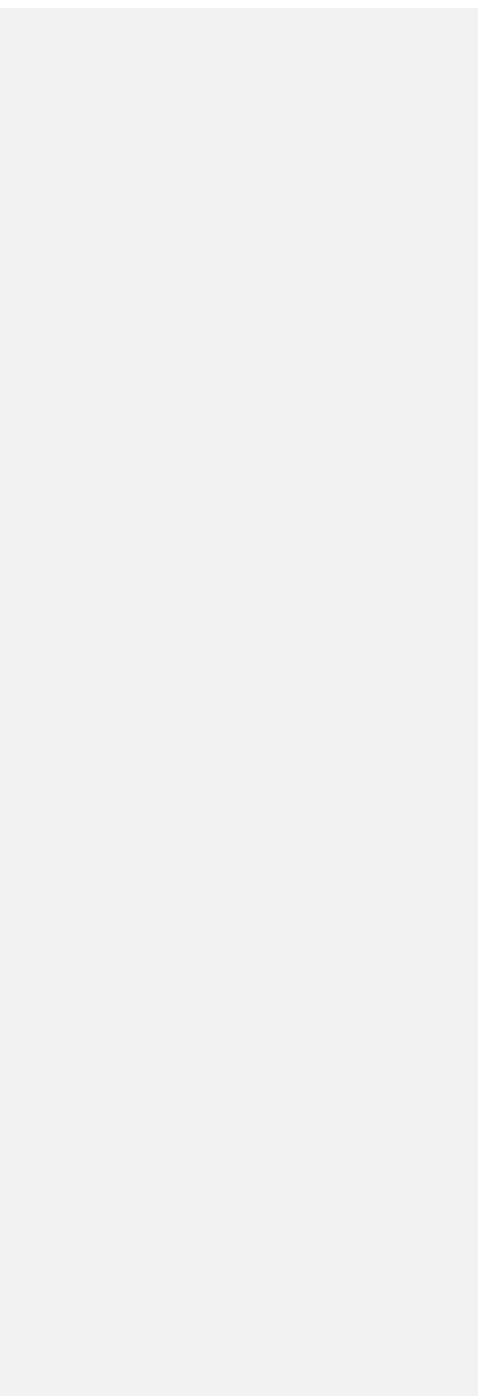


Source: Company, PL

Exhibit 5: Tio2 prices up 3.1% QoQ and 1.9% YoY



Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	2,02,113	2,07,309	2,41,558	2,72,573
YoY gr. (%)	5.0	2.6	16.5	12.8
Cost of Goods Sold	1,13,835	1,14,593	1,34,520	1,52,631
Gross Profit	88,278	92,716	1,07,038	1,19,942
Margin (%)	43.7	44.7	44.3	44.0
Employee Cost	13,661	15,552	17,065	19,164
Other Expenses	32,999	28,591	33,994	37,553
EBITDA	41,618	48,573	55,979	63,225
YoY gr. (%)	10.5	16.7	15.2	12.9
Margin (%)	20.6	23.4	23.2	23.2
Depreciation and Amortization	7,805	8,180	8,938	9,800
EBIT	33,813	40,393	47,041	53,426
Margin (%)	16.7	19.5	19.5	19.6
Net Interest	1,023	952	984	945
Other Income	3,043	3,078	5,065	7,384
Profit Before Tax	35,833	42,519	51,122	59,864
Margin (%)	17.7	20.5	21.2	22.0
Total Tax	8,549	11,055	13,292	15,565
Effective tax rate (%)	23.9	26.0	26.0	26.0
Profit after tax	27,284	31,464	37,830	44,300
Minority interest	769	709	562	608
Share Profit from Associate	507	494	570	620
Adjusted PAT	27,023	31,249	37,839	44,311
YoY gr. (%)	25.5	15.6	21.1	17.1
Margin (%)	13.4	15.1	15.7	16.3
Extra Ord. Income / (Exp)	(50)	-	-	-
Reported PAT	26,973	31,249	37,839	44,311
YoY gr. (%)	25.6	15.9	21.1	17.1
Margin (%)	13.3	15.1	15.7	16.3
Other Comprehensive Income	583	389	549	786
Total Comprehensive Income	27,556	31,638	38,388	45,097
Equity Shares O/s (m)	959	959	959	959
EPS (Rs)	28.2	32.6	39.4	46.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	83,568	88,768	95,468	1,02,168
Tangibles	79,350	84,350	90,850	97,350
Intangibles	4,218	4,418	4,618	4,818
Acc: Dep / Amortization	33,246	38,977	45,098	51,658
Tangibles	31,702	36,941	42,547	48,570
Intangibles	1,544	2,036	2,551	3,089
Net fixed assets	50,322	49,792	50,370	50,510
Tangibles	47,648	47,409	48,303	48,780
Intangibles	2,675	2,382	2,067	1,729
Capital Work In Progress	1,402	2,000	3,000	3,000
Goodwill	3,200	3,200	3,200	3,200
Non-Current Investments	18,229	19,454	20,873	22,374
Net Deferred tax assets	(4,270)	(4,041)	(3,767)	(3,447)
Other Non-Current Assets	12,383	11,398	11,391	11,302
Current Assets				
Investments	5,125	28,084	43,184	63,756
Inventories	33,898	34,078	39,708	44,807
Trade receivables	17,994	20,447	23,494	26,511
Cash & Bank Balance	7,829	7,861	8,620	10,702
Other Current Assets	2,856	4,146	5,073	5,724
Total Assets	1,61,549	1,89,177	2,18,602	2,52,521
Equity				
Equity Share Capital	959	959	959	959
Other Equity	1,00,343	1,21,585	1,45,637	1,73,065
Total Networkth	1,01,302	1,22,544	1,46,596	1,74,025
Non-Current Liabilities				
Long Term borrowings	186	112	67	40
Provisions	1,808	1,905	2,091	2,349
Other non current liabilities	46	46	46	46
Current Liabilities				
ST Debt / Current of LT Debt	3,215	4,982	5,050	5,124
Trade payables	21,366	22,605	25,798	29,272
Other current liabilities	19,223	22,758	24,777	27,590
Total Equity & Liabilities	1,61,548	1,89,177	2,18,602	2,52,521

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	35,833	42,519	51,122	59,864
Add. Depreciation	7,805	8,180	8,938	9,800
Add. Interest	1,023	952	984	945
Less Financial Other Income	3,043	3,078	5,065	7,384
Add. Other	(82)	87	95	105
Op. profit before WC changes	44,579	51,738	61,140	70,714
Net Changes-WC	(421)	(24,938)	(22,976)	(28,689)
Direct tax	(8,549)	(11,055)	(13,292)	(15,565)
Net cash from Op. activities	35,609	15,745	24,872	26,460
Capital expenditures	(4,868)	(7,794)	(9,996)	(9,341)
Interest / Dividend Income	-	-	-	-
Others	(616)	(583)	(589)	(629)
Net Cash from Inv. activities	(5,484)	(8,377)	(10,586)	(9,970)
Issue of share cap. / premium	249	1,011	(562)	(608)
Debt changes	(5,532)	4,537	1,558	2,377
Dividend paid	(20,940)	(11,510)	(13,429)	(16,306)
Interest paid	(1,023)	(952)	(984)	(945)
Others	1	(303)	(452)	(681)
Net cash from Fin. activities	(27,245)	(7,218)	(13,868)	(16,164)
Net change in cash	2,880	150	418	327
Free Cash Flow	30,741	7,950	14,875	17,120

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Net Revenue	46,356	29,227	53,502	67,885
YoY gr. (%)	(7.6)	(42.7)	5.9	25.2
Raw Material Expenses	25,106	16,150	29,745	37,285
Gross Profit	21,250	13,077	23,758	30,600
Margin (%)	45.8	44.7	44.4	45.1
EBITDA	8,596	4,843	12,652	17,879
YoY gr. (%)	4.5	(58.2)	32.5	50.3
Margin (%)	18.5	16.6	23.6	26.3
Depreciation / Depletion	1,945	1,912	1,936	1,932
EBIT	6,651	2,931	10,716	15,947
Margin (%)	14.3	10.0	20.0	23.5
Net Interest	257	201	205	211
Other Income	558	471	826	979
Profit before Tax	6,953	3,200	11,337	16,715
Margin (%)	15.0	11.0	21.2	24.6
Total Tax	2,190	862	2,936	4,314
Effective tax rate (%)	31.5	26.9	25.9	25.8
Profit after Tax	4,763	2,339	8,401	12,401
Minority interest	-	(4)	170	-
Share Profit from Associates	40	(143)	118	253
Adjusted PAT	4,803	2,200	8,349	12,654
YoY gr. (%)	1.5	(66.5)	1.8	62.3
Margin (%)	10.4	7.5	15.6	18.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4,803	2,200	8,349	12,654
YoY gr. (%)	1.5	(66.5)	1.8	62.3
Margin (%)	10.4	7.5	15.6	18.6
Other Comprehensive Income	170	(493)	381	607
Total Comprehensive Income	4,972	1,707	8,730	13,260
Avg. Shares O/s (m)	-	959	959	959
EPS (Rs)	-	2.3	8.7	13.2

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	28.2	32.6	39.4	46.2
CEPS	36.3	41.1	48.8	56.4
BVPS	105.6	127.8	152.8	181.4
FCF	32.0	8.3	15.5	17.8
DPS	18.2	12.0	14.0	17.0
Return Ratio(%)				
RoCE	32.9	34.8	33.7	32.3
ROIC	28.7	37.3	39.6	43.4
RoE	27.6	27.9	28.1	27.6
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.3)	(0.3)	(0.4)
Net Working Capital (Days)	55	56	57	56
Valuation(x)				
PER	97.3	84.1	69.5	59.3
P/B	25.9	21.4	17.9	15.1
P/CEPS	75.5	66.7	56.2	48.6
EV/EBITDA	62.9	53.5	46.1	40.5
EV/Sales	13.0	12.5	10.7	9.4
Dividend Yield (%)	0.7	0.4	0.5	0.6

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jan-21	UR	-	2,805
2	22-Oct-20	Hold	2,000	2,100
3	08-Oct-20	Accumulate	2,032	2,089
4	24-Jul-20	Accumulate	1,829	1,717
5	08-Jul-20	Accumulate	1,857	1,746
6	23-Jun-20	Accumulate	1,722	1,689
7	13-Apr-20	Accumulate	1,687	1,651
8	22-Jan-20	Accumulate	1,815	1,779

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	UR	-	2,805
2	Avenue Supermarts	BUY	3,296	2,968
3	Bajaj Electricals	BUY	647	637
4	Britannia Industries	BUY	4,301	3,540
5	Colgate Palmolive	Hold	1,570	1,598
6	Crompton Greaves Consumer Electricals	BUY	400	395
7	Dabur India	Accumulate	539	534
8	Emami	BUY	526	450
9	GlaxoSmithKline Consumer Healthcare	Hold	9,377	9,247
10	Havells India	UR	-	971
11	Hindustan Unilever	BUY	2,502	2,417
12	ITC	BUY	254	205
13	Jubilant FoodWorks	UR	-	2,789
14	Kansai Nerolac Paints	UR	-	613
15	Marico	Hold	410	419
16	Nestle India	Hold	17,640	18,515
17	Pidilite Industries	UR	-	1,795
18	Polycab India	BUY	1,247	1,278
19	Titan Company	UR	-	1,573
20	Voltas	UR	-	882

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

ANALYST CERTIFICATION

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