

May 10, 2022

Q4FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	3,511		3,542	
Sales (Rs. m)	356,836	399,041	356,836	399,041
% Chng.	-	-	-	-
EBITDA (Rs. m)	64,030	76,918	58,400	80,423
% Chng.	9.6	(4.4)	-	-
EPS (Rs.)	45.0	55.3	40.9	58.0
% Chng.	9.9	(4.6)	-	-

Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	217,123	291,013	356,836	399,041
EBITDA (Rs. m)	48,552	48,036	64,030	76,918
Margin (%)	22.4	16.5	17.9	19.3
PAT (Rs. m)	31,388	32,005	43,117	53,071
EPS (Rs.)	32.7	33.4	45.0	55.3
Gr. (%)	16.2	2.0	34.7	23.1
DPS (Rs.)	4.9	18.2	22.0	26.0
Yield (%)	0.2	0.6	0.7	0.8
RoE (%)	27.4	24.0	28.3	29.4
RoCE (%)	34.4	28.8	34.7	36.5
EV/Sales (x)	13.5	10.1	8.2	7.3
EV/EBITDA (x)	60.2	61.2	45.6	37.7
PE (x)	94.3	92.5	68.7	55.8
P/BV (x)	23.1	21.4	17.8	15.2

Key Data

ASPN.BO | APNT IN

52-W High / Low	Rs.3,590 / Rs.2,521
Sensex / Nifty	54,365 / 16,240
Market Cap	Rs.2,960bn/ \$ 38,285m
Shares Outstanding	959m
3M Avg. Daily Value	Rs.4508.13m

Shareholding Pattern (%)

Promoter's	52.65
Foreign	19.45
Domestic Institution	7.57
Public & Others	20.33
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(3.7)	(0.7)	20.7
Relative	5.3	10.2	9.9

Amnish Aggarwal

amnishaggarwal@plindia.com | 91-22-66322233

Harish Advani

harishadvani@plindia.com | 91-22-66322242

Aashi Rara

aashirara@plindia.com | 91-22-66322381

Business moats getting Stronger; BUY

Quick Pointers:

- Decorative volumes up 8%, Industrial Paints volumes up in double digits.
- Jan impacted by 3rd COVID wave, Feb-Mar saw double digit volumes
- 4% gap between inflation and price increase in 4Q, another ~3% price increase in 1Q on incremental 5-7% inflation

We increase/decrease our FY23/FY24 EPS by 9.9%/-4.6% given 1) lower than expected margin hit in FY23 2) strong demand across regions and positive outlook on favorable monsoons and 3) sustained traction in waterproofing and project business. APNT reported QoQ improvement in margins on the back of calibrated pricing action and superior mix led by strong growth in Metros/Tier1/2 cities. APNT remains cautious of inflationary trends but expects demand trends to continue.

We believe long term structural levers remain intact led by 1) market share gains in decorative paints in an industry growing at double digits 2) increased distribution with addition of 15k+ retail touch points 3) innovations & focus on high growth waterproofing/wood finishes segment 4) scalability plans in home décor from 4% to 10% by FY26 by both organic and inorganic means. We expect APNT to sustain premium valuations given strong growth visibility. We maintain BUY with a TP of Rs 3511 (Rs 3542 earlier). Any margin correction post Grasim's entry in Decorative paints is a risk to our call.

Decorative volumes up 8%; Margins at 18.3%: Consol Revenues grew by 18.7% YoY to Rs78.9bn (PLe: Rs80.3bn). Decorative volume grew by 8%; while Industrial Coatings grew revenues in double digit. Gross margins contracted 448bps YoY to 38.7% (PLe: 40.4%). EBITDA grew by 9.5% YoY to Rs14.4bn (PLe: Rs14.9bn); Margins contracted by 153bps YoY to 18.3% (PLe:18.5%). Adj. PAT grew by 13.8% YoY to Rs9.9bn (PLe: Rs9.8bn). Standalone Revenues grew by 19.2% YoY to Rs67.6bn; Gross margins contracted by 500bps YoY to 39.7%; EBITDA margins contracted by 500bps YoY to 39.7%; Adj. PAT grew by 16.4% YoY to Rs9.5bn. Sub sales grew by 15.5% YoY; EBITDA declined by 16.1% YoY.

Concall Takeaways: 1) Tier 1/2 growth was driven by luxury & premium products while Tier 3/4 cities growth was driven by economy range. West and East geographies saw the highest growth. 2) 5-7% inflation witnessed across RM basket in QTD 1Q23 against 1-2% price increase expected in May-Jun'22. 3) Tier 1/2 contribution to décor business stood at 40-45%. 4) Enhanced distribution, favorable monsoon & customer migration post COVID will drive growth in Tier 3/4 cities. 5) New/Innovative products contributed 14% to overall revenue in FY22. 6) On the lookout for acquisitions which are backward integrated in line with company strategy. 7) Plan to increase store count to 70 (from 29) in FY23 for the Home Decor business. 8) Management remains focused on double digit volume growth with GM/EBITDA margins at 40-42%/18-20% for FY23 through calibrated price hike & business mix. 9) Management remains cautiously optimistic about demand given no further COVID waves & volatility in crude oil prices.

Exhibit 1: Q4FY22 Results- Consolidated (Rs mn): Revenues grew 18.7% EBITDA margins at 18.3%, Adj PAT grew 13.8%

Consolidated	4QFY22	4QFY21	YoY gr. (%)	3QFY22	FY22	FY21	YoY gr. (%)
Net Sales	78,927	66,514	18.7	85,272	2,91,013	2,17,128	34.0
Gross Profit	30,546	28,721	6.4	31,339	1,08,005	96,156	12.3
% of NS	38.7	43.2	-4.5	36.8	37.1	44.3	-7.2
Other Expenses	16,113	15,539	3.7	15,916	59,969	47,600	26.0
% of NS	20.4	23.4		18.7	20.6	21.9	
EBITDA	14,433	13,183	9.5	15,423	48,036	48,556	-1.1
Margins %	18.3	19.8	-1.5	18.1	16.5	22.4	-5.9
Depreciation	2,051	2,134	-3.9	2,079	8,164	7,913	3.2
Interest	226	299	-24.2	275	954	916	4.1
Other Income	804	754	6.6	718	3,800	3,031	25.4
PBT	12,960	11,505	12.6	13,788	42,719	42,758	-0.1
Tax	3,151	2,864	10.0	3,624	11,029	10,976	0.5
Tax rate %	24.3	24.9		26.3	25.8	25.7	
Adj. PAT	9,898	8,699	13.8	10,313	32,005	31,901	0.3

Source: Company Data, PL Research

Exhibit 2: Segmental Q4FY22 Results (Rs mn): Paint revenues up 18.5%, Margins at 16.6%

Consolidated	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
Segment Revenue								
Paints	28,706	52,329	66,351	64,672	54,647	69,017	83,194	76,637
Home Improvement	521	1,174	1,534	1,859	1,215	1,952	2,093	2,324
Less: inter segment revenue				(17)	(8)	(10)	(14)	(34)
Total	29,227	53,502	67,885	66,514	55,854	70,960	85,272	78,927
Growth %								
Paints	-42.8%	6.2%	25.3%	42.7%	90.4%	31.9%	25.4%	18.5%
Home Improvement	-51.7%	-3.0%	21.6%	81.0%	133.3%	66.4%	36.4%	25.0%
Revenue Share %								
Paints	98.2%	97.8%	97.7%	97.2%	97.8%	97.3%	97.6%	97.1%
Home Improvement	1.8%	2.2%	2.3%	2.8%	2.2%	2.8%	2.5%	2.9%
Segment Results (P&L)								
Paints	3,716	11,818	17,226	12,297	8,091	8,454	14,488	12,741
Home Improvement	(212)	(42)	(8)	(15)	(92)	31	14	(23)
PBT %								
Paints	12.9%	22.6%	26.0%	19.0%	14.8%	12.2%	17.4%	16.6%
Home Improvement	-40.6%	-3.6%	-0.5%	-0.8%	-7.6%	1.6%	0.7%	-1.0%
Growth %								
Paints	-64.9%	29.1%	55.8%	52.4%	117.7%	-28.5%	-15.9%	3.6%
Home Improvement	33.5%	-73.0%	-95.4%	-93.2%	-56.6%	-174.0%	-280.8%	50.3%

Source: Company Data, PL Research

Exhibit 3: Q4FY22 Results - Standalone (Rs mn): Revenues up 19.2%, EBITDA margins at 20.2%, Adj PAT grew 16.4%

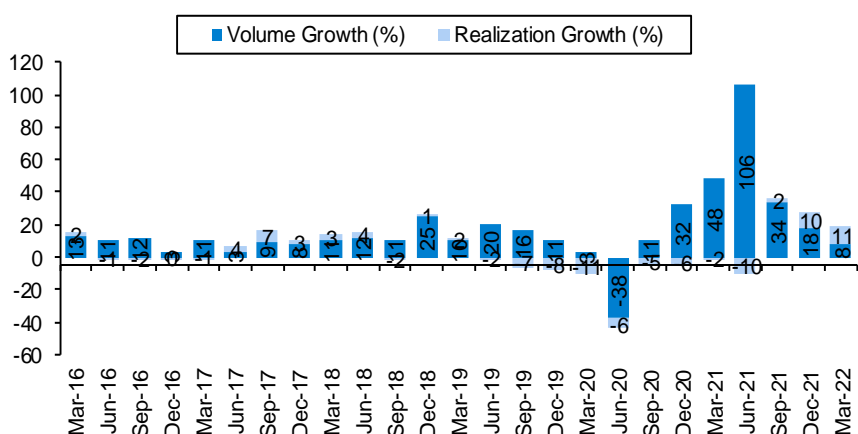
Standalone	4QFY22	4QFY21	YoY gr. (%)	3QFY22	FY22	FY21	YoY gr. (%)
Net Sales	67,596	56,708	19.2	74,911	2,51,885	1,85,169	36.0
Gross Profit	26,840	25,352	5.9	28,087	95,796	84,343	13.6
% of NS	39.7	44.7	-5.0	37.5	38.0	45.5	-7.5
Other Expenses	13,213	13,129	0.6	13,405	49,917	39,413	26.6
% of NS	19.5	23.2		17.9	19.8	21.3	
EBITDA	13,627	12,223	11.5	14,682	45,879	44,930	2.1
Margins %	20.2	21.6	-1.4	19.6	18.2	24.3	-6.1
Depreciation	1,813	1,929	-6.0	1,840	7,216	6,975	3.5
Interest	143	246	-42.0	215	703	717	-2.0
Other Income	891	985	-9.5	1,047	4,520	3,662	23.4
PBT	12,563	11,033	13.9	13,674	42,481	40,900	3.9
Tax	3,026	2,839	6.6	3,472	10,594	10,379	2.1
Tax rate %	24.1	25.7		25.4	24.9	25.4	
Adj. PAT	9,537	8,194	16.4	10,203	31,886	30,522	4.5

Source: Company Data, PL Research

Exhibit 4: Geography & Division wise revenue breakup

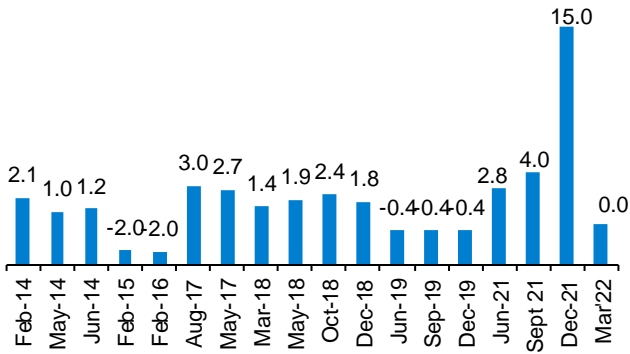
Revenue (Rs mn)	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
Africa	1230	1630	1520	1550	1400	1380	1250	1580
Middle East	1320	1680	1850	1810	1850	1720	2050	1970
Asia	1210	3030	3420	3740	2670	3660	4050	4420
South Pacific	240	320	320	290	260	310	410	320
PPG-AP	840	2835	3936	3330	2550	3770	4150	3960
AP-PPG	584	1161	1585	1930	1550	1800	2110	2470
Kitchen Business	250	610	810	950	660	1050	1110	1280
Bath Business	250	550	730	930	560	930	1030	1090

Source: Company Data, PL Research

Exhibit 5: Volumes grew 8% in 4Q22


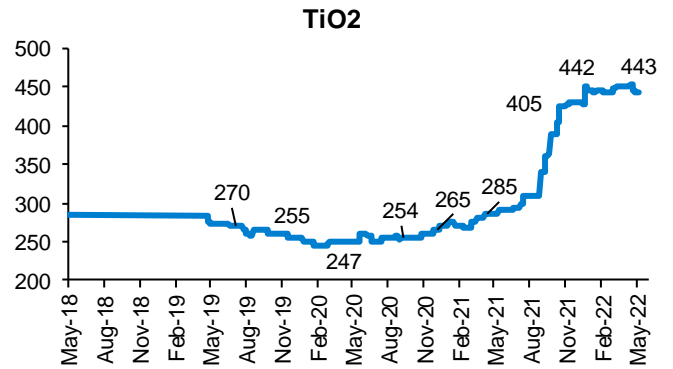
Source: Company, PL

Exhibit 6: No price hike taken in 4Q



Source: Company, PL

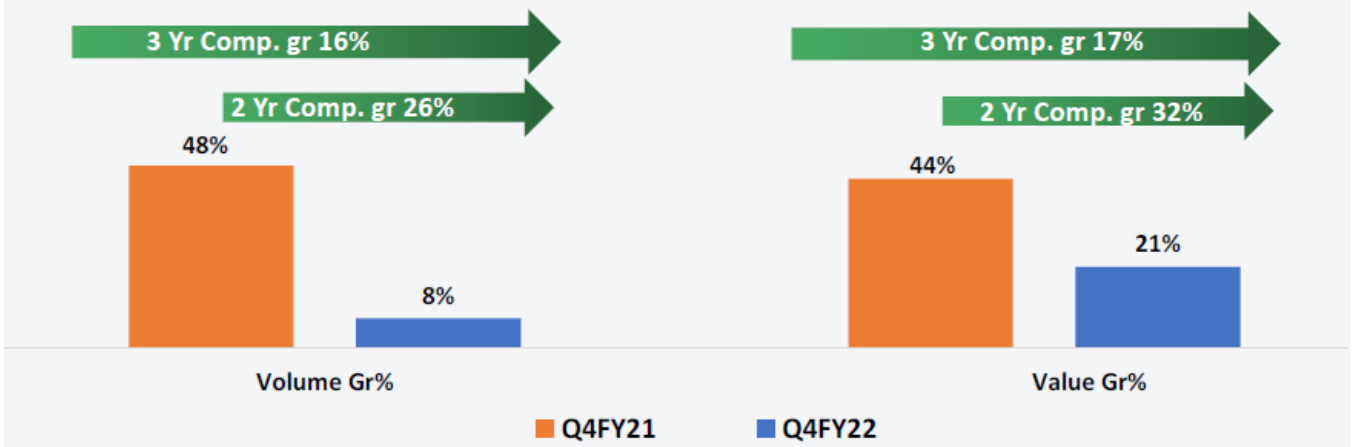
Exhibit 7: Tio2 prices up 4.2% QoQ and 62.6% YoY



Source: Company, PL

Exhibit 8: Double digit volume growth on a 2yr/3yr CAGR

Growth trajectory continued in Q4; Volume growth though in single digits, strong momentum evident from the double digit 2/3 year compounded growth rates



Source: Company, PL

Exhibit 9: New set of innovations in exterior textures suited for Indian weather conditions

World Class Innovations



Ultima Allura
Graniza



Ultima Allura
Torino

- ❖ World class Exterior Textures with an international range of more than 180 texture patterns
- ❖ Unique range, outclassing best in the world
- ❖ Suitable to Indian sensibilities and weather conditions

Source: Company, PL

Exhibit 10: Introduction of fire retardant paints for retail consumption

World Class Innovations



ALL Protek
Fire Retardant
Paint

- ❖ First time introduction in India of a Fire-Retardant category
- ❖ A unique hydrophobic 'Lotus Effect' technology
- ❖ Matched with the best Anti-Stain Absorption or Removal performance



Royale Glitz

- ❖ First time introduction of Anti-Crack durable coatings
- ❖ A unique Teflon Luxury offering with Anti-Stain Absorption
- ❖ Sophisticated finish, benchmarked to Uber - Luxe

Source: Company, PL

Exhibit 11: New set of waterproofing solutions and wood finish solutions

New Product Introductions



SmartCare HydroLOC



Epoxy Apcoflur



AP Woodtech Ingenio



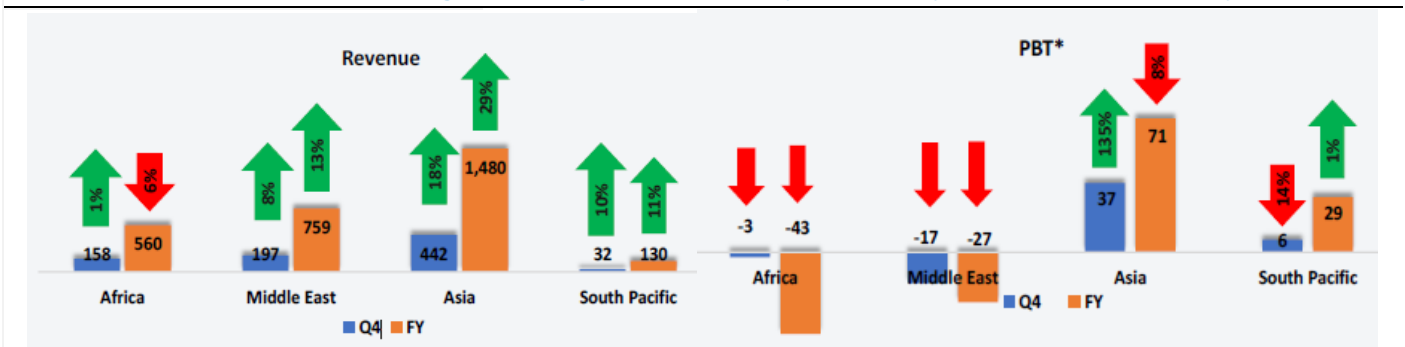
SmartCare apcorep KCRETECOAT

One of its kind, pioneering solutions for customers

- ❖ Simplified waterproofing and Efflorescence solution with patented technology
- ❖ Unique waterproofing repair range
- ❖ An Epoxy and Polyurethane Flooring Tech coatings
- ❖ Wood Finish solutions, benchmarked to best

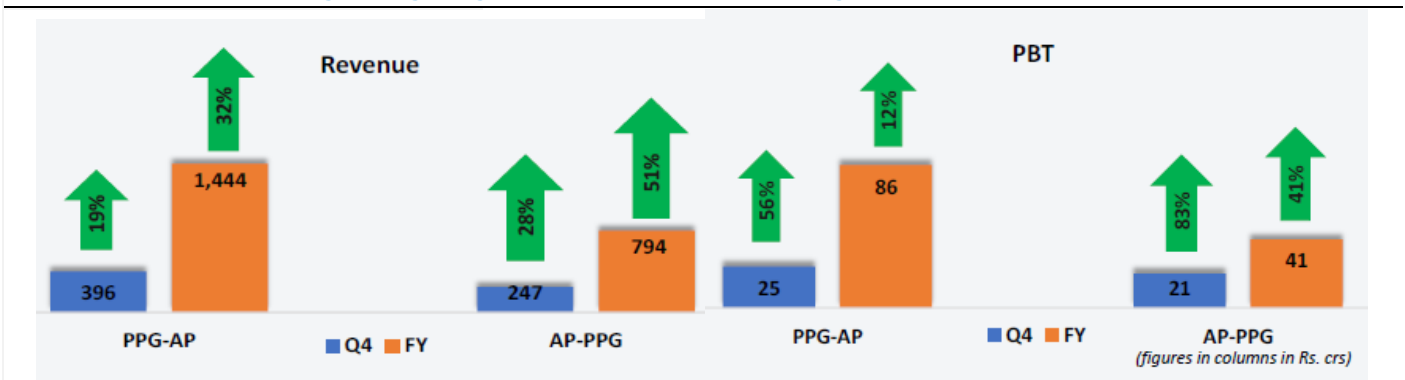
Source: Company, PL

Exhibit 12: IBD division saw double digit revenue growth, profitability impacted by input costs and currency devaluation



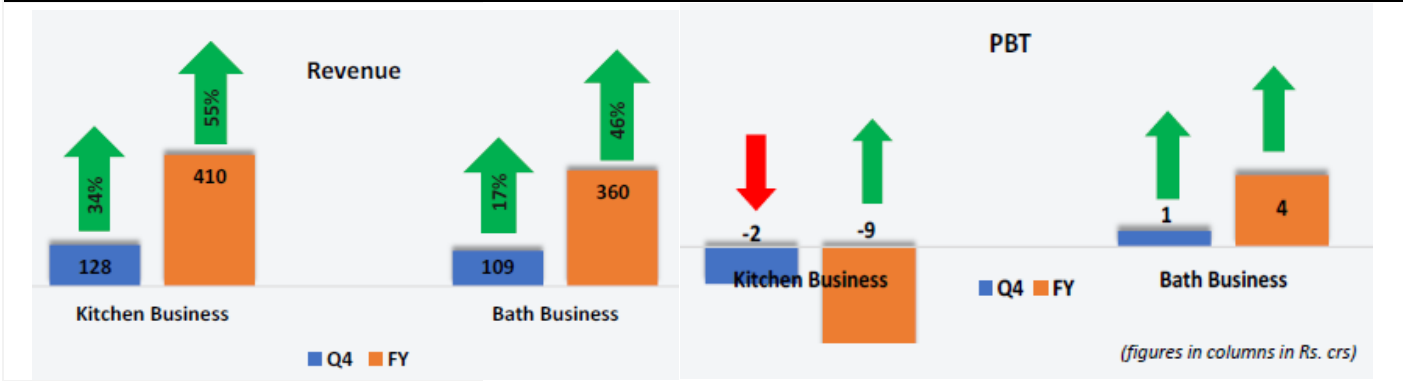
Source: Company, PL

Exhibit 13: Industrial coatings saw good growth despite external challenges

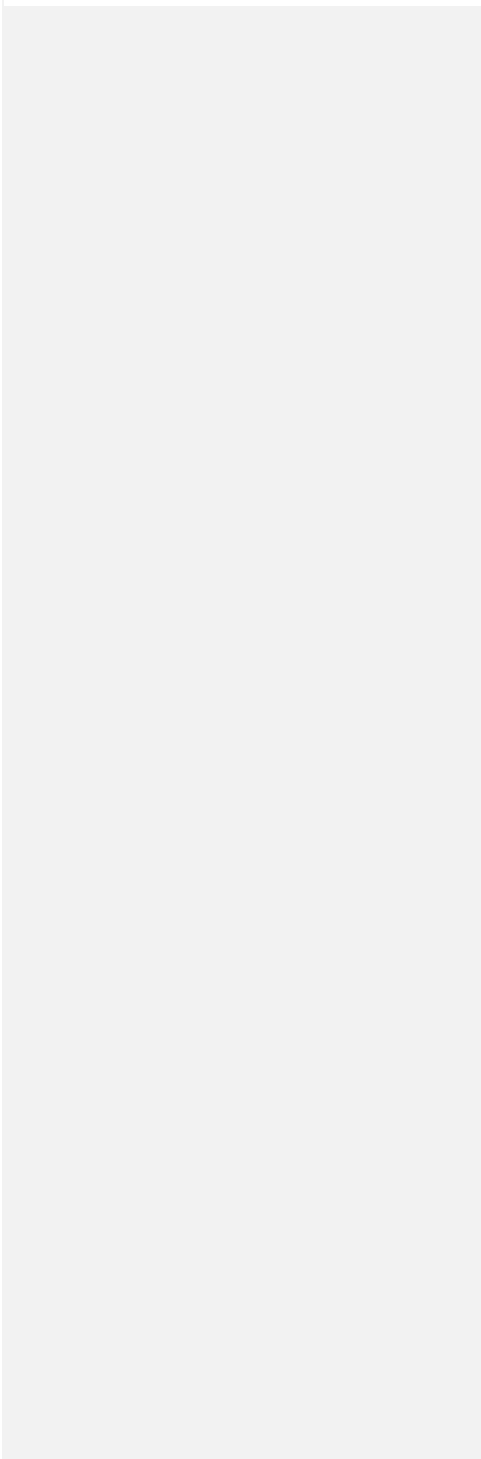


Source: Company, PL

Exhibit 14: Kitchen business impacted by rising inflation while bath business partially passed on inflation



Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	217,123	291,013	356,836	399,041
YoY gr. (%)	7.4	34.0	22.6	11.8
Cost of Goods Sold	120,972	183,008	219,166	239,404
Gross Profit	96,151	108,005	137,670	159,637
Margin (%)	44.3	37.1	38.6	40.0
Employee Cost	15,408	17,867	21,094	23,230
Other Expenses	32,192	42,103	52,545	59,489
EBITDA	48,552	48,036	64,030	76,918
YoY gr. (%)	16.7	(1.1)	33.3	20.1
Margin (%)	22.4	16.5	17.9	19.3
Depreciation and Amortization	7,913	8,164	9,260	10,125
EBIT	40,639	39,873	54,771	66,793
Margin (%)	18.7	13.7	15.3	16.7
Net Interest	916	954	1,163	1,220
Other Income	3,031	3,800	4,497	6,039
Profit Before Tax	42,753	42,719	58,104	71,612
Margin (%)	19.7	14.7	16.3	17.9
Total Tax	10,976	11,029	15,223	18,762
Effective tax rate (%)	25.7	25.8	26.2	26.2
Profit after tax	31,777	31,689	42,881	52,850
Minority interest	675	-	549	676
Share Profit from Associate	286	316	785	897
Adjusted PAT	31,388	32,005	43,117	53,071
YoY gr. (%)	16.2	2.0	34.7	23.1
Margin (%)	14.5	11.0	12.1	13.3
Extra Ord. Income / (Exp)	-	(1,157)	-	-
Reported PAT	31,388	30,848	43,117	53,071
YoY gr. (%)	16.4	(1.7)	39.8	23.1
Margin (%)	14.5	10.6	12.1	13.3
Other Comprehensive Income	(57)	(2,257)	(26)	9
Total Comprehensive Income	31,332	28,592	43,091	53,080
Equity Shares O/s (m)	959	959	959	959
EPS (Rs)	32.7	33.4	45.0	55.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	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	43,705	47,891	47,600
Tangibles	44,764	41,845	45,810	45,670
Intangibles	2,340	1,860	2,082	1,930
Capital Work In Progress	1,830	4,264	3,000	3,000
Goodwill	3,026	2,429	3,026	3,026
Non-Current Investments	20,637	15,529	26,489	28,698
Net Deferred tax assets	(4,013)	(3,228)	(3,028)	(2,785)
Other Non-Current Assets	10,691	12,135	11,480	12,042
Current Assets				
Investments	32,671	21,807	35,145	50,555
Inventories	37,986	61,530	58,658	65,596
Trade receivables	26,022	38,714	38,128	41,544
Cash & Bank Balance	6,108	8,643	11,445	11,190
Other Current Assets	5,372	5,413	7,137	7,981
Total Assets	203,696	229,845	260,227	290,943
Equity				
Equity Share Capital	959	959	959	959
Other Equity	127,104	137,156	165,453	193,315
Total Networkth	128,063	138,116	166,412	194,274
Non-Current Liabilities				
Long Term borrowings	145	445	120	100
Provisions	2,152	2,183	2,552	2,811
Other non current liabilities	45	21	21	21
Current Liabilities				
ST Debt / Current of LT Debt	3,257	7,311	3,014	2,365
Trade payables	33,787	41,643	48,036	49,193
Other current liabilities	22,214	26,756	28,200	31,061
Total Equity & Liabilities	203,697	229,845	260,227	290,943

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	42,753	42,614	58,104	71,612
Add. Depreciation	7,913	8,532	9,260	10,125
Add. Interest	916	1,127	1,163	1,220
Less Financial Other Income	3,031	3,800	4,497	6,039
Add. Other	(145)	(108)	(119)	(131)
Op. profit before WC changes	51,437	52,164	68,408	82,827
Net Changes-WC	(35,498)	(19,115)	(18,661)	(28,557)
Direct tax	(10,976)	(11,165)	(15,223)	(18,762)
Net cash from Op. activities	4,963	21,884	34,524	35,508
Capital expenditures	(4,202)	(7,572)	(11,745)	(9,620)
Interest / Dividend Income	-	-	-	-
Others	653	4,647	(4,839)	(108)
Net Cash from Inv. activities	(3,549)	(2,925)	(16,584)	(9,728)
Issue of share cap. / premium	(414)	(4,789)	5,944	(676)
Debt changes	2,292	7,180	(2,078)	1,866
Dividend paid	(4,652)	(17,409)	(21,102)	(24,939)
Interest paid	(916)	(1,127)	(1,163)	(1,220)
Others	102	(61)	(93)	(139)
Net cash from Fin. activities	(3,588)	(16,206)	(18,493)	(25,108)
Net change in cash	(2,175)	2,754	(553)	672
Free Cash Flow	761	14,313	22,779	25,888

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	32.7	33.4	45.0	55.3
CEPS	41.0	41.9	54.6	65.9
BVPS	133.5	144.0	173.5	202.5
FCF	0.8	14.9	23.7	27.0
DPS	4.9	18.2	22.0	26.0
Return Ratio(%)				
RoCE	34.4	28.8	34.7	36.5
ROIC	38.1	27.3	36.4	40.6
RoE	27.4	24.0	28.3	29.4
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.2)	(0.3)	(0.3)
Net Working Capital (Days)	51	73	50	53
Valuation(x)				
PER	94.3	92.5	68.7	55.8
P/B	23.1	21.4	17.8	15.2
P/CEPS	75.3	73.7	56.5	46.8
EV/EBITDA	60.2	61.2	45.6	37.7
EV/Sales	13.5	10.1	8.2	7.3
Dividend Yield (%)	0.2	0.6	0.7	0.8

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Net Revenue	55,854	70,960	85,272	78,927
YoY gr. (%)	91.1	32.6	25.6	18.7
Raw Material Expenses	34,389	46,304	53,933	48,381
Gross Profit	21,464	24,656	31,339	30,546
Margin (%)	38.4	34.7	36.8	38.7
EBITDA	9,136	9,045	15,423	14,433
YoY gr. (%)	88.7	(28.5)	(13.7)	9.5
Margin (%)	16.4	12.7	18.1	18.3
Depreciation / Depletion	2,006	2,028	2,079	2,051
EBIT	7,130	7,017	13,344	12,382
Margin (%)	12.8	9.9	15.6	15.7
Net Interest	215	239	275	226
Other Income	896	1,382	718	804
Profit before Tax	7,811	8,160	13,788	12,960
Margin (%)	14.0	11.5	16.2	16.4
Total Tax	2,043	2,211	3,624	3,151
Effective tax rate (%)	26.2	27.1	26.3	24.3
Profit after Tax	5,768	5,950	10,163	9,808
Minority interest	-	-	-	-
Share Profit from Associates	(25)	102	150	89
Adjusted PAT	5,743	6,052	10,313	9,898
YoY gr. (%)	161.0	(27.5)	(18.5)	13.8
Margin (%)	10.3	8.5	12.1	12.5
Extra Ord. Income / (Exp)	-	-	-	(1,157)
Reported PAT	5,743	6,052	10,313	8,741
YoY gr. (%)	161.0	(27.5)	(18.5)	0.5
Margin (%)	10.3	8.5	12.1	11.1
Other Comprehensive Income	79	(141)	(598)	(1,596)
Total Comprehensive Income	5,822	5,911	9,714	7,144
Avg. Shares O/s (m)	959	959	959	959
EPS (Rs)	6.0	6.3	10.8	10.3

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-22	BUY	3,542	3,206
2	21-Jan-22	BUY	3,762	3,306
3	06-Jan-22	BUY	3,675	3,527
4	21-Oct-21	BUY	3,675	3,002
5	06-Oct-21	BUY	3,507	3,212
6	20-Jul-21	BUY	3,511	3,159
7	05-Jul-21	BUY	3,136	3,005
8	12-May-21	BUY	3,136	2,556

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	BUY	3,542	3,206
2	Avenue Supermarts	Accumulate	5,345	4,146
3	Britannia Industries	BUY	3,770	3,385
4	Colgate Palmolive	Accumulate	1,664	1,565
5	Dabur India	Accumulate	603	529
6	Emami	Accumulate	607	464
7	Hindustan Unilever	BUY	2,384	2,145
8	ITC	BUY	285	268
9	Jubilant FoodWorks	Accumulate	3,230	2,792
10	Kansai Nerolac Paints	BUY	675	464
11	Marico	Accumulate	547	520
12	Mold-tek Packaging	BUY	781	705
13	Nestle India	Accumulate	19,426	18,203
14	Pidilite Industries	Hold	2,417	2,525
15	Restaurant Brands Asia	BUY	220	113
16	Titan Company	BUY	2,701	2,387
17	Westlife Development	BUY	645	497

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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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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