Asian Paints Limited

Annual Report Round Up

28th June 2023

Executive Summary (1/2)

- In FY23, APNT delivered industry-beating growth despite challenging conditions resulting from geopolitical tensions and record-high input cost inflation.
- Demand had headwinds in the form of extended monsoons and shortened festive season period. The India Decorative business saw double-digit volume and value growth.
- APNT saw some downtrading due to the calibrated price increases taken in the last two years. The share of economy products in the mix also increased due to a conscious effort to expand the market and make stronger inroads in the bottom of the pyramid segment through affordable value propositions.
- Global risk aversion on the back of the rapid rate increases by the developed economies meant persistent pressure on the exchange rate, adversely impacting import-dependent businesses such as that of APNT's.
- Amid this volatility and inflationary environment, APNT continued to maintain its leadership in the decorative paints segment and continued its diversification into the area of home décor.
- Projects and institutional business maintained their high growth trajectory in FY23. Demand was particularly strong from the construction segment and the factory segments, which was further boosted by the increased Government spending on infrastructure. This growth has also helped to drive APNT's expansion in the waterproofing and construction chemicals areas, a trend which is likely to continue in the year ahead as well.
- APNT's foray into home décor has been performing well. APNT has taken the initiative of 'Beautiful Homes' forward - through digital, service, and physical stores. APNT extended its offerings through partnerships with White Teak and Weatherseal - in the decorative and designer lighting and uPVC windows and door systems space, respectively.
- APNT's bath fittings business remained profitable over the last six quarters while the kitchen business crossed INR 1,000 mn mark in revenues every quarter this year.
- Given the tough conditions across Asian and African markets, APNT's international business has done relatively well delivering decent profits. All geographies grew except for Asia due to the economic crisis in Sri Lanka and depleted demand conditions in Nepal and Indonesia, especially in the second half of the year.

- APNT's performance in Industrial Paints has been one of the best in the last decade, leveraging APNT's partnership with PPG Industries Inc. of USA.
- APNT's safe painting and trusted contractor services are the largest of its kind painting service in the world and are now available across more than 600 towns.
- APNT ended the year with a presence across more than 0.15 mn retail touchpoints widening its distribution network across the growing footprint of smaller cities and towns.
- APNT has laid out an investment plan of INR 87.5 bn across multiple areas – capacity expansion, futuristic technology and product capabilities, backward integration, and a host of other initiatives.
    - Greenfield and brownfield capacity expansions will increase the capacity from the existing 1.73 mn KL/ annum to 2.67 mn KL/annum.
    - APNT has entered into a binding agreement to acquire a majority stake in a specialty chemical and next-generation nanotechnology player, Harind Chemicals and Pharmaceuticals Private Limited, which will enhance APNT's technology and innovation across products.
    - APNT also announced plans to establish manufacturing capabilities for Vinyl Acetate Ethylene (VAE) emulsion and Vinyl Acetate Monomer (VAM)– a next-generation, environment-friendly emulsion which will provide the Company with a sustainable competitive and cost advantage in the future.
    - APNT will also be entering the white cement manufacturing space through a joint venture.

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- Asian Paints (APNT) is the market leader in the Indian paints industry since 1967. Asian Paints manufactures a wide range of paints for decorative and industrial use. It also offers Wall Coverings, adhesives and services under its portfolio. The company is also present in the Home Improvement and Decor segment and offers bath and kitchen products, lightings, furnishings and furniture in its portfolio.
- In FY23, APNT delivered industry-beating growth despite challenging conditions resulting from geopolitical tensions and record-high input cost inflation, along with demand facing headwinds in the form of extended monsoons and shortened festive season period. The Decorative business saw double-digit volume and value growth.
- APNT has continued to launch new customer propositions and innovations across segments. In FY23, 22 new products were launched in the architectural paints, building chemicals, and adhesives segments.
- APNT's evolution from the share of surface to the share of space has grown from strength to strength. APNT has a target to make the contribution of this business about 8 to 10% of overall decorative business by FY26E.
- APNT's planned investments of INR 87,500 mn over the next 3 years on various capacity enhancements as well as a few critical backward integration projects, is a significant step which will propel it towards meeting its ambitious growth plans and address evolving customer needs.

Key Information

Sector	FMCG
M-Cap (INR Mn)	31,89,333
52-week H/L (INR)	3,583/ 2,678
Volume Avg (3m K)	931
CMP (INR)	**3,325**
Target Price (INR)	**3,564**
Upside (%)	**7.2%**
Recommendation	**ACCUMULATE**

Source: NSE, KRChoksey Research

Shareholding Pattern (%)

Particulars	Mar-22	Mar-23
Promoters	52.6	52.6
FIIs	19.5	17.0
DIIs	7.6	10.0
Others	20.4	20.4
Total	100.0	100.0

Source: BSE

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Strong double-digit growth despite challenging external environment

	FY22	FY23
Revenue (INR Mn)	**2,91,013**	**3,44,886**
YoY Growth (%)	34.0%	18.5%

- APNT's consolidated revenue from operations grew by 18.5% YoY in FY23.
- The Decorative paints segment saw volume growth of 14.1% YoY and value growth of 20.0% YoY. The double-digit volume growth was delivered despite the challenges in the external environment.
- The Premium range of products witnessed downtrading on account of the raw material price inflation and the resultant unprecedented price increases APNT had to implement.
- In the Projects and Large Business Users market segment, APNT made impressive inroads especially with gains coming from the Builders, Industries and Government spending categories. APNT has seen acceptance as a trustworthy brand not just in the Paints category but in allied categories of Waterproofing and Construction chemicals as well, with large gains coming in the Admixtures, Repair and Flooring categories.
- During FY23, Sleek, APNT's kitchen business, clocked revenue growth of 6.3% YoY, driven by growth in the modular solutions segment led by the exclusive Sleek stores for Kitchen and Wardrobes. Within Sleek, the Kitchen Components business grew at 9.5% YoY.
- Ess Ess, APNT's bath fittings and sanitaryware business, saw revenue growth of 15.0% YoY, leveraging the network and product expansion initiatives undertaken in the past. The business continued to make a strong impact in the Projects segment during the year.
- International business grew in value terms and to a larger extent in constant currency terms given the currency devaluation in many countries. All geographies grew except for Asia due to the economic crisis in Sri Lanka and depleted demand conditions in Nepal and Indonesia, especially in the second half of the year.
- PPG-AP, the automotive JV, registered double-digit growth (+27.0% YoY) in terms of revenue across segments along with good improvement in profitability. Steep raw material inflation and currency depreciation added pressure on the bottom line. Price increases across businesses supported the topline growth as well as improvement in margins.
- AP-PPG, non-auto industrial coatings JV, registered robust growth in revenue (+28.0% YoY) across market segments. Steep inflation in raw material prices was seen in the first half of the year. Quick actions taken in the area of price increases, product mix enhancement and cost savings measures helped the Company to protect its margins.

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Strong topline growth in decorative paints, but product mix was impacted

India decorative business

- APNT delivered a double-digit volume and value growth in the Decorative business. Volume growth was at 14.1% YoY and value growth at 20.0% YoY.
- The growth was achieved by taking multiple steps to expand the market and also gain from the organised and unorganised segments of the market through APNT's distinct product and service offerings.
- Q1FY23 was the first normal quarter after almost two years that were impacted by the pandemic. However, the seasonally strong quarter of Q3 was impacted by an early Diwali and extended monsoons throughout large parts of the country. Towards the end of the year, the demand conditions had a good comeback, with demand in both – the urban as well as the rural markets, picking up.
- APNT saw some downtrading due to the calibrated price increases taken over the last two years.
- There was also an increased portion of economy products in the mix as it has been a conscious effort from APNT to expand the market and make stronger inroads in the bottom of the pyramid segment tapping into this demand through affordable value propositions.
- APNT has boosted growth in rural areas by shifting its strategy towards increasing per capita consumption through the conversion of the distemper market into the economy emulsion sales market.
- APNT has placed a strong emphasis on project sales, including those derived from factories, government investments, and infrastructure projects. As a result, APNT has seen excellent traction, particularly as the government increases its investment in infrastructure.
- The projects and institutional business maintained their high growth trajectory in FY23. Demand was particularly strong from the construction segment and the factory segments, which was further boosted by the increased Government spending on infrastructure.
- Growth in the Projects bsuiness has also helped to drive APNT's expansion in the waterproofing and construction chemicals areas, a trend that is likely to continue in the year ahead as well. APNT's SmartCare waterproofing range of products has seen robust growth helping the Company to establish itself as one of the largest players in this category.

Home Décor business strengthening

India decorative business: Home Décor and consumer services

- APNT's evolution from 'share of surface' to 'share of space' has grown from strength to strength in FY23.
- APNT is moving well on its stated objective to make this business about 8 to 10% of the overall decorative business, by FY26E. Home Décor business currently contributes ~4% of decorative business revenue.
- In FY23, APNT expanded Beautiful Homes' offerings by adding rugs to the décor portfolio through tie-ups with fabric and furnishing brands "Pure" and "Jaipur Rugs" in addition to decorative lightings and uPVC windows by acquiring White Teak and Weatherseal respectively. White Teak, and Weatherseal, have performed exceptionally well, benefitting from their integration with APNT's Beautiful Homes Stores network. This integration has allowed them to expand their reach and provide enhanced customer engagement.
- APNT has a large network of Beautiful Homes Stores across 31 cities and its flagship Beautiful Homes Service – an end-to-end home interior design and execution offering, is now available in 13 cities.
- APNT's inspiration portal 'beautifulhomes.com', which provides insights into emerging trends, is visited by around 5 mn visitors and has 0.15 mn Instagram followers, generating numerous leads.
- APNT's Safe Painting Service and Trusted Contractor Service, gained further momentum with a presence in more than 600 towns, addressing lakhs of customers. APNT is committed to both, elevating the service levels as well as expand the reach of the service so that every Indian has access to a world-class painting service. APNT's newly launched Platinum tier of service also received a warm response from customers.

Sleek- Kitchen Business

- During FY23, Sleek, APNT's Kitchen business, clocked revenue growth of 6.3% to register sales of INR 4,255 mn, driven by growth in the modular solutions segment led by the exclusive Sleek stores for Kitchen and Wardrobes.
- The kitchen business has crossed the INR 1,000 mn mark in revenues every quarter of FY23.
- With over 270 stores, the reach is unparalleled in providing access and service excellence to consumers.
- Fitted furniture launched exclusively for Beautiful Home Services saw initial launch success in the year. In the Wardrobes category, the launch of the premium collection under the label 'Crest' was received well.
- Luxury kitchens contributed to about one-third of the value sale strengthening Sleek's brand positioning as a premium player in the market.
- With an enhanced offering, greater reach and working with influencers the promise for FY24E in Sleek is strong and exciting.

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Home Décor business strengthening

Ess Ess- Bath fittings and sanitaryware business

- The Ess Ess business grew well during the year, leveraging the network and product expansion initiatives undertaken in the past to clock sales of INR 4,060 mn at a growth of 15% YoY.
- APNT's bath business has remained profitable over the last six quarters.
- The agenda of premiumisation was taken ahead with the new-to-industry CANVAS range of products apart from Neo control thermostat, Neo range of Smart Water Closets and Pneumatic cisterns.
- The business also moved ahead with the launch of concept bathrooms under BESPOKE – which offers themes and designs for a full bathroom solution as a service to customers in select cities.
- Enhancing access with influencers will continue to be the driver for FY24E as APNT seeks to build strength in the retail channel.
- The business continued to make a strong impact in the Projects segment during the year. APNT is now working with prominent builders and construction companies and also catering to government infrastructure orders at an enhanced scale.
- The distribution structure has also been revamped to lower the costs of distribution. This helped the business reduce costs significantly and, along with the efficiencies of scale, enabled the business to ensure gross margins and also deliver overall profits for the year.
- Work on setting up a second manufacturing facility for both the Kitchen and Bath businesses is near complete and will be commissioned in FY24E.

Industrial JVs see strong topline and profitability

Industrial- PPG-AP and AP-PPG

- PPG-AP, the automotive industrial coatings business benefitted from the recovery in the automotive space and was also supported by growth in the refinish segment.
- With the easing out of Semiconductor shortages, Automotive OEMs ramped up production and registered an increase in builds of over 25%. Even the two-wheeler industry registered a 10% growth in annual builds.
- PPG-AP saw a growth of 27.0% YoY and registered double-digit growth in terms of revenue across segments along with good improvement in profitability (+173% YoY in terms of PBT).
- Inflation and currency depreciation added pressure on the bottom line. Price increases across businesses supported the topline growth as well as improvement in margins. Innovation in formulation, sourcing efficiency and other cost optimisation efforts helped further in improving profitability.
- AP-PPG, the non-auto industrial coatings JV, registered robust growth in revenue across market segments and crossed the INR 10,000 mn revenue mark and saw revenue growth of 28.0% YoY.
- The government's thrust on capital expenditure particularly in infrastructure and renewable energy sectors led to strong growth in demand for Industrial Coatings. AP-PPG's expanded product portfolio, distribution reach and influencer engagement with support from the parents, propelled the growth trajectory.
- Steep inflation in raw material prices was seen in the first half of the year. Quick actions taken in the area of price increases, product mix enhancement and cost savings measures helped AP-PPG to protect its margins. Overall, AP-PPG registered good growth in terms of revenue along with a significant rise in profits (+104% YoY in terms of PBT).

International

- Given the tough conditions across Asian and African markets, APNT's international business has done relatively well delivering decent profits.
- Overall, the business grew in value terms and to a larger extent in constant currency terms given the currency devaluation in many countries. In INR terms, the growth was 6.8% YoY while in constant currency the growth was 18.0% YoY.
- All geographies grew except for Asia due to the economic crisis in Sri Lanka and depleted demand conditions in Nepal and Indonesia, especially in H2FY23.
- APNT registered good gains in premium & luxury product offerings and the project sales segment across countries.
- APNT's foray into waterproofing and painting services has given it a strong edge and will continue to fuel its performance in the international markets.

Distribution expansion and cost savings

Distribution expansion

- APNT continued to expand its footprint to enhance the distribution reach in rural and urban areas alike.
- APNT ended the year with a presence across more than 0.15 mn retail touchpoints widening the Company's distribution network across the growing footprint of smaller cities and towns.
- APNT's safe painting and trusted contractor services are the largest of its kind painting service in the world and are now available across more than 600 towns.
- Cumulatively, 170,000+ customers have been serviced through Safe Painting Service (SPS) and Trusted Contractor Service (TCS).

Deriving cost savings and market penetration

- During the year, APNT placed particular focus on the manufacturing of new, cost-effective emulsions with reduced monomer components, which resulted in an increase in margins.
- Additionally, APNT has developed low-cost alternatives for certain categories of resins, reducing raw material costs and achieving significant savings.
- APNT maintained a focus on the efficient use of manufacturing plants to optimise operating costs. In line with this goal, APNT has planned upgrades to its traditional plants, incorporating newer technologies that will help bring down operating costs.
- APNT implemented an in-house RDP manufacturing set-up and became the first Indian Company to achieve self-reliance in this area. This initiative aligns with the Make in India campaign and grants APNT greater control over its formulations, paving the way for potential future innovations.

Aggressive capex plan over the next 3 years

Capacity expansion and backward integration

- APNT is positioning itself in the medium term to meet the needs of a rapidly expanding Indian Paint industry, which is projected to reach a market size of INR 1,000 bn within the next five years.
- APNT will invest INR 34 bn over 3 years into brownfield expansions, which will add 0.54 mn KL/annum to the existing capacity.
- APNT plans to set up a new water-based paint manufacturing facility with a capacity of 0.4 mn KL/annum at an investment of ~INR 20 bn. This facility is expected to be commissioned in 3 years after the acquisition of the land.
- The in-house paint capacity is expected to reach 2.67 mn KL/annum from 1.73 mn KL/ annum currently.
- APNT has plans to set up a manufacturing facility for VAE (Vinyl Acetate Ethylene Emulsion) and VAM (Vinyl Acetate Monomer) in India for a proposed investment of ~INR 21 bn over a period of 3 years. The installed capacity of the manufacturing facility would be 0.10 mn tonnes/annum for VAM and 0.15 mn tonnes/annum for VAE.
- VAE is the Next-Gen environment-friendly emulsion, based on a unique VAM technology, which will provide a robust competitive edge to APNT in the coatings business.
- APNT has entered into a JV to establish a 0.265 mn MT/annum manufacturing facility for white cement in Fujairah, UAE and clinker grinding units in India. The overall investment would be ~INR 5.5 bn, over the next 2 years.
- White Cement is a key raw material in the manufacture of powder paints and undercoats like putty - a powder levelling solution used for various interior/exterior substrates. In addition, white cement is used in the home construction & repair segment, for various applications like – tile/marble fixing, sanitaryware work, repair work, etc.
- APNT has signed a definitive agreement to acquire a majority stake in a specialty chemical and next-generation nanotechnology player, Harind Chemicals and Pharmaceuticals Private Limited, which will enhance APNT's technological capabilities across all products.

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Key Performance Drivers – New Launches

- APNT launched 22 new products in FY23.
- In FY23, 22 new products were developed for architectural paints, construction chemicals and adhesives business. 27 new products were developed for Industrial business.
- The no. of patents held by APNT increased by 10 in FY23, bringing the cumulative number to 49.
- The revenue contribution from new products was ~10%.

Category	New Product Launch
Decorative paints	Royale Glitz Ultra Matt
	Waterproofing segment- SmartCare Hydroloc
	SmartCare Hyroloc Xtreme
	Entry-level exterior emultions segment- Ace Power+
	PU-based wood finishes product – Purafin
Home Décor	Rugs, bedding, architectural lights
Kitchen business	Fitted furniture, premium wardrobes
Bath fittings and sanitaryware	Concept bathrooms under BESPOKE

Source: Company, KRChoksey Research

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APNT delivered YoY revenue and profitability growth in the context of unprecedented inflationary pressure impacting demand

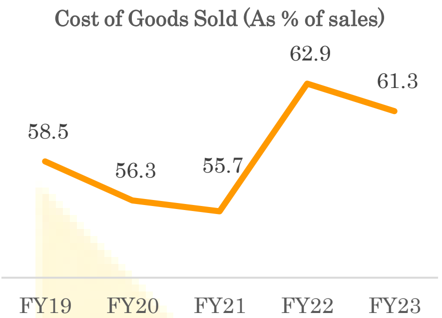
- APNT reported consolidated revenue from operations of INR 3,44,886 mn, a growth of 18.5% YoY.
- Persistently high inflation impacted consumer sentiments across segments and price points. APNT implemented some calibrated and gradual price hikes which helped it to protect the overall demand sentiment.
- During the year, Supply Chain networks across the world continued to experience volatility and uncertainty. The armed conflict in Europe and China's continued stance of zero tolerance towards COVID-19 impacted the production of speciality chemicals, especially in Germany – a major manufacturing hub. This led to manufacturing cost escalation and at the same time softening of demand, especially with China still under stringent restrictions.
- After the initial spike in commodity prices, most raw material prices saw a softening trend, with most bottoming out in Q3FY23. Coupled with the softening of RM prices and cost efficiencies, APN was able to shore up the margins in H2FY23.
- Absolute EBITDA grew by 30.3% YoY to INR 62,598 mn. EBITDA margin improved by 164 bps YoY to 18.2% on an impacted base of FY22.
- For FY23, exceptional costs in the P&L of INR 489 mn included INR 242 mn exchange loss arising on foreign currency obligations of Causeway Paints Lanka (Pvt.) Limited due to currency devaluation in Sri Lanka and impairment loss of INR 247 mn after the fair value of investment made in Causeway Paints.
- PAT for FY23 was at INR 41,065 mn, a growth of 35.5% YoY.

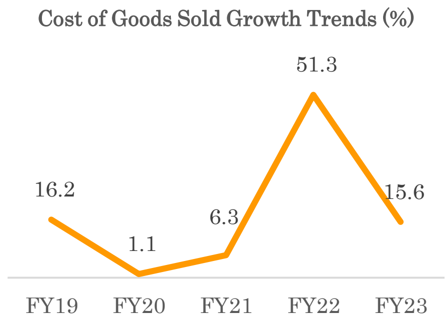
	FY22	FY23
Revenue (INR Mn)	**2,91,013**	**3,44,886**
YoY Growth (%)	34.0%	18.5%
EBITDA (INR Mn)	**48,036**	**62,598**
YoY Growth (%)	-1.1%	30.3%
EBITDA Margin	**16.5%**	**18.2%**
PAT (INR Mn)	**30,306**	**41,065**
YoY Growth (%)	-3.5%	35.5%
PAT Margin	**10.4%**	**11.9%**

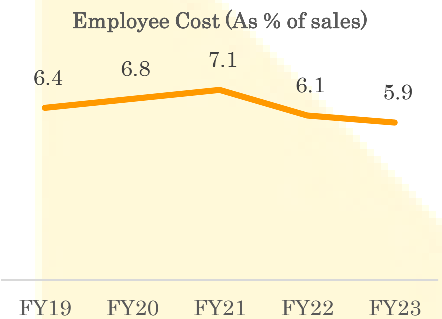
Source: Company, KRChoksey Research

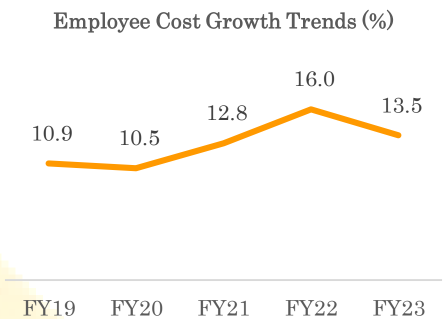
Cost & Margin Analysis

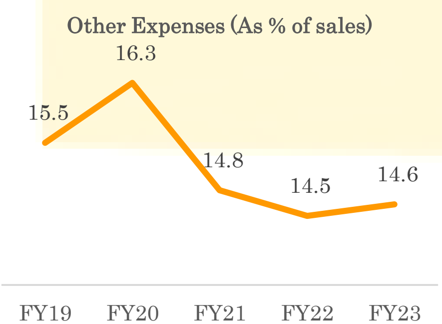
- APNT's cost of goods sold as % of operating revenue declined to 61.3% in FY23 from 62.9% in FY21.
- Employee costs as % of operating revenue reduced to 5.9% in FY23 from 6.1% in FY22.
- Other expenses as % of operating revenue was at 14.6% in FY23 vs. 14.5% in FY22.
- Within other expenses, freight and handling charges saw a decline to 41.6% in FY23 from 43.8% in FY22.
- **Outlook:** Moving into FY24E, APNT management is optimistic post the positive momentum seen in Q4FY23. There is some normalisation in growth rates from COVID times. While there is caution on inflation and an oncoming global recession, India is well-poised to deliver strong GDP growth and its high correlation with the domestic paint industry will ensure that APNT continues to grow as well. The industry is seeing elevated interest from many new players who have announced plans to join the fray which highlights its strong growth potential.

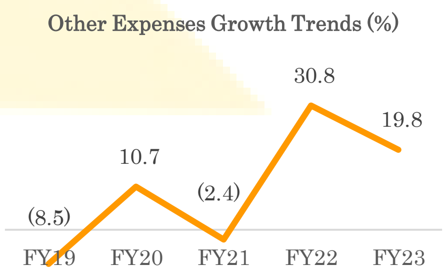












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Cost & Margin Analysis

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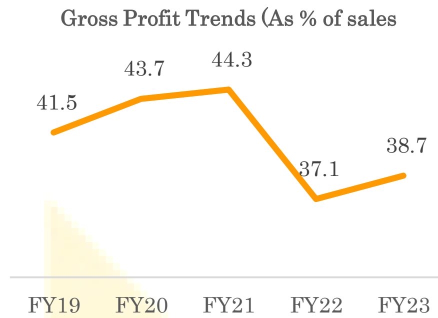
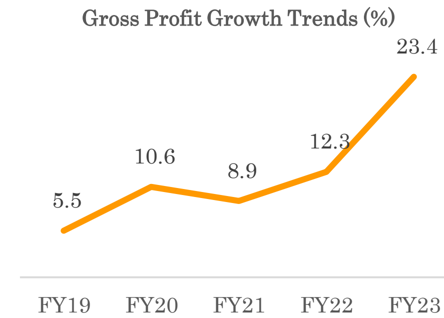
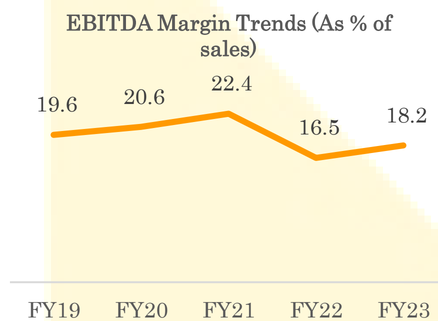
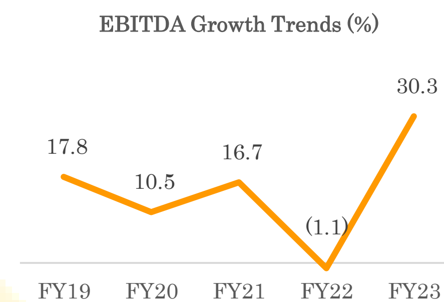
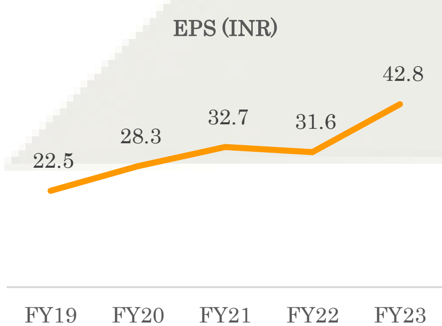
- Absolute gross profit grew by 23.4% YoY to INR 1,33,321 mn. Gross margin improved by 154 bps YoY to 38.7% in FY23 from 37.1% in FY22.
- EBITDA for FY23 grew by 30.3% YoY to INR 62,598 mn. EBITDA margin improved by 164 bps YoY to 18.2%. While margins were impacted sequentially in H1FY23, they improved in the last 2 quarters. On a YoY basis, margins remained higher as FY22 was an impacted base.
- PAT from continuing operations grew by 35.5% YoY to INR 41,065 mn while PAT margin expanded by 149 bps YoY to 11.9%. Adj. PAT, excluding exceptional items in FY23, grew by 32.1% YoY to INR 41,553 mn.
- EPS for FY23 was INR 42.8, which is a growth of 35.5% YoY.

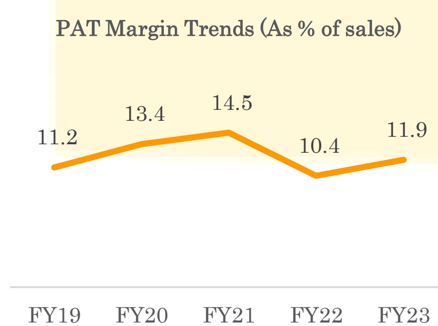


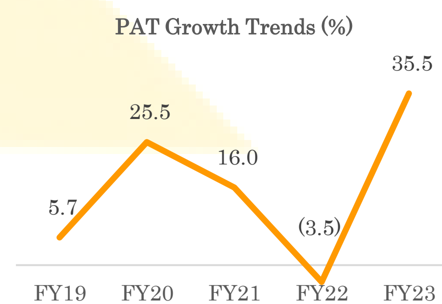












Source: Company, KRChoksey Research

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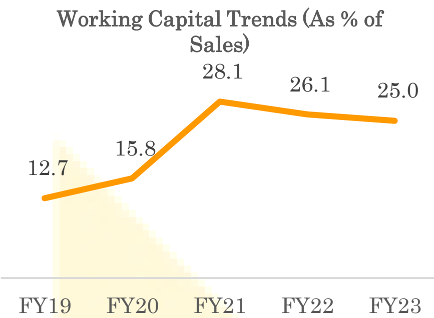
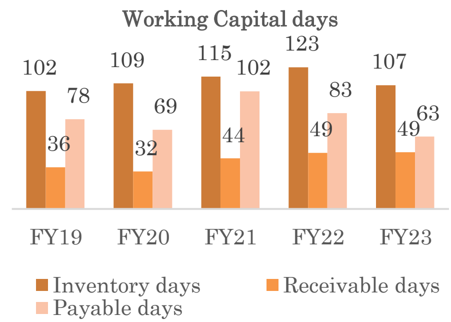
Working Capital & Dividend Analysis

- **Working capital:** APNT's working capital as % of sales declined to 25.0% in FY23 from 26.1% in FY22. In FY23, APNT continued dedicated efforts to recover overdue receivables, which have yielded significant benefits helping the Company to minimise bad debts and ensure timely payments. Considering the expanding dealer base and to better manage the increasing working capital, APNT explored new avenues to facilitate faster recoveries. APNT has optimized the inventory levels, which is reflected in inventory days brought down to pre-pandemic levels of FY20.

- **Dividend:** In FY23, APNT has recommended a final dividend of INR 21.25 per equity share, in addition to the interim dividend of INR 4.40 per share. This takes the total dividend for the year to INR 25.65 per share, a growth of 33.9% from FY22 where the dividend per share was INR 19.15.





Particulars	FY22	FY23
Special Dividend	0.00	0.00
Interim Dividend	3.65	4.40
Final Dividend	15.50	21.25
Dividend per share	**19.15**	**25.65**
YoY Growth	7.3%	33.9%
Total (INR Mn)	**18,369**	**24,604**
YoY Growth	7.3%	33.9%

Source: Company, KRChoksey Research

- Through APNT's commitment to clean energy, renewable energy is now over 62.2% of the Company's electricity consumption at manufacturing locations. APNT's target is to reach 75.0% by 2025E and 100.0% by 2030E. APNT has reduced specific electricity consumption per KL of the finished product by 36.0% till FY23, from the baseline of FY14.

- APNT has become water positive, replenishing 3.8 times of its freshwater consumption. This has been achieved through a strong set of initiatives in water harvesting, water regeneration, and work with communities.

- In product stewardship, APNT has undertaken Greenhouse Gases (GHGs) footprint reduction through formulation optimisation (tCO2e) and has delivered a reduction of 20,390 in FY23.

- APNT has reduced the CMR (carcinogenic, mutagenic, reprotoxic substances) raw materials in products by 4% (with styrene) and 11% (without styrene) in FY23.

- APNT continues to develop safe and sustainable products. One of APNT's latest projects involves, backward integration to manufacture Vinyl Acetate Ethylene Emulsion (VAE) represents a significant step towards strengthening the Company's position in this area. This emulsion has low volatile organic compounds and is an environment-friendly emulsion.

- Additionally, APNT has also developed a range of organic colours called Nilaya Naturals, with over 90% natural ingredients. This paint, the first-of-its-kind in the world, is robust and has a clean, fresh scent. The palette has more than 200 shades and is created with a unique blend of materials sourced from around the world and India.

- In 2023, APNT's Ankleshwar plant reached Behaviour-Based Safety (BBS) Generative Stage (First in the world in the coatings sector).

- In 2023, APNT was graded as 'Good' in Governance Score by Institutional Investor Advisory Services.

- In FY23, APNT has undertaken a new initiative of collecting plastic packaging from painters and consumers across states. The proportion of recycled plastic in APNT's products is at 15%.

- Beneficiaries impacted through healthcare initiatives were 365,000+ in FY23.

- Participants trained at APNT Colour Academy were 510,000+ in FY23.

- APNT has seen consistent double-digit volume growth on a 3-yr CAGR basis and expects to continue to deliver double-digit volume growth. The resumption of growth in premium and luxury segments seen in Q4FY23E is heartening. The growth going ahead will be supported by the Government's infra push, strong projects demand, and retail demand improvement as inflation recedes. Revenue growth will also be supported by exponential growth in newer categories in home improvement as APNT focuses on improving the salience of this business. Improvement in product mix, the benefit of RM deflation, and sourcing efficiencies have led to sharp margin improvement in Q4FY23E, but some competitive pricing actions and marketing spends may lead to a contraction in the margins going ahead and margins will likely remain in APNT's guided band of 18.0% to 20.0%.

- We expect Revenue/ EBITDA/ Adj. PAT to grow at 14.6%/ 21.3%/ 22.2% CAGR, respectively, between FY23-25E.

- The shares are trading at 59.1x/51.4x its FY24E/FY25E EPS estimates, respectively.

- **We apply a P/E multiple of 55x on FY25E EPS of INR 64.7 to arrive at a target price of INR 3,564 (unchanged); an upside potential of 7.2%. Accordingly, we maintain our rating of "ACCUMULATE" on the shares of Asian Paints Ltd.**

Exhibits: Quarterly Income Statement

Particulars (INR Mn)	Q4FY23	Q3FY23	Q4FY22	QoQ	YoY	FY23	FY22	YoY
Revenue from Operations	**87,873**	**86,367**	**78,927**	**1.7%**	**11.3%**	**3,44,886**	**2,91,013**	**18.5%**
Total Expenditure	**69,226**	**70,253**	**64,494**	**-1.5%**	**7.3%**	**2,82,288**	**2,42,977**	**16.2%**
Cost of Raw Materials	39,793	38,159	41,735	4.3%	-4.7%	1,73,306	1,62,546	6.6%
Purchase of Stock	8,850	10,315	9,921	-14.2%	-10.8%	41,357	33,711	22.7%
Changes in Inventories	1,889	4,583	-3,275	-58.8%	-157.7%	-3,097	-13,250	-76.6%
Employee Cost	5,220	5,038	4,574	3.6%	14.1%	20,281	17,867	13.5%
Other Expenses	13,473	12,158	11,540	10.8%	16.8%	50,442	42,103	19.8%
EBITDA	**18,648**	**16,114**	**14,433**	**15.7%**	**29.2%**	**62,598**	**48,036**	**30.3%**
EBITDA Margins (%)	21.2%	18.7%	18.3%	256 bps	293 bps	18.2%	16.5%	164 bps
Depreciation	2,202	2,141	2,051	2.9%	7.3%	8,580	8,164	5.1%
EBIT	**16,446**	**13,974**	**12,382**	**17.7%**	**32.8%**	**54,018**	**39,873**	35.5%
EBIT Margins (%)	18.7%	16.2%	15.7%	254 bps	303 bps	15.7%	13.7%	196 bps
Interest Expense	389	414	226	-6.0%	72.0%	1,445	954	51.4%
Other Income	1,055	866	804	21.9%	31.2%	3,865	3,800	1.7%
PBT	**17,112**	**14,426**	**12,960**	**18.6%**	**32.0%**	**56,438**	**42,719**	32.1%
Exceptional item	247	0	1,157	NA	-78.7%	489	1,157	-57.8%
Tax	4,514	3,811	3,151	18.4%	43.3%	14,935	11,029	35.4%
Share of associates/ Minorities/ discontinued operations	-9	113	-147	-108.2%	93.7%	50	-227	121.9%
PAT	**12,341**	**10,727**	**8,504**	**15.1%**	**45.1%**	**41,064**	**30,306**	35.5%
PAT Margin (%)	14.0%	12.4%	10.8%	162 bps	327 bps	11.9%	10.4%	149 bps
EPS	**12.9**	**11.2**	**8.9**	**15.1%**	**45.1%**	**42.8**	**31.6**	**35.5%**
Adj. PAT	**12,588**	**10,727**	**9,661**	**17.4%**	**30.3%**	**41,553**	**31,463**	32.1%
Adj. PAT margin	14.3%	12.4%	12.2%	191 bps	208 bps	12.0%	10.8%	124 bps
Adj. EPS	**13.1**	**11.2**	**10.1**	**17.4%**	**30.3%**	**43.3**	**32.8**	**32.1%**

Source: Company, KRChoksey Research

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INR Mn	FY21	FY22	FY23	FY24E	FY25E
Revenues	**2,17,128**	**2,91,013**	**3,44,886**	**3,93,832**	**4,52,907**
COGS	1,20,972	1,83,008	2,11,565	2,34,178	2,69,480
Gross profit	**96,156**	**1,08,005**	**1,33,321**	**1,59,655**	**1,83,427**
Employee cost	15,408	17,867	20,281	23,121	26,346
Other expenses	32,192	42,103	50,442	57,587	64,973
EBITDA	**48,556**	**48,036**	**62,598**	**78,947**	**92,108**
EBITDA Margin	***22.4%***	***16.5%***	***18.2%***	***20.0%***	***20.3%***
Depreciation & amortization	7,913	8,164	8,580	8,810	11,381
EBIT	**40,643**	**39,873**	**54,018**	**70,136**	**80,728**
Interest expense	916	954	1,445	1,607	1,607
Other income	3,031	3,800	3,865	4,455	4,828
Exceptional items	0	1,157	489	0	0
PBT	**42,758**	**41,562**	**55,950**	**72,984**	**83,948**
Tax	10,976	11,029	14,935	19,341	22,246
Share of associates/ Minority interest/ discontinued operations	-389	-227	50	333	385
PAT	**31,393**	**30,306**	**41,065**	**53,976**	**62,087**
Adj. PAT	**31,393**	**31,463**	**41,553**	**53,976**	**62,087**
EPS (INR)	**32.7**	**31.6**	**42.8**	**56.3**	**64.7**
Adj. EPS	**32.7**	**32.8**	**43.3**	**56.3**	**64.7**

Source: Company, KRChoksey Research

Exhibits: Income Statement (Other Expenses)

Other Expenses (INR Mn)	FY19	FY20	FY21	FY22	FY23
Consumption of stores, spares and consumables	535	604	595	768	898
Power and fuel	1,023	978	861	1,172	1,383
Processing charges	1,316	1,317	1,371	1,678	1,839
Repairs and maintenance	939	1,134	1,076	1,334	1,618
Rates and taxes	182	148	172	165	200
Corporate social responsibility expenses	538	759	638	721	788
Commission to Non Executive Directors	40	35	47	47	53
Directors' sitting fees	19	17	22	32	30
Auditors' Remuneration	43	44	43	47	53
Net loss on foreign currency transactions and translations (Other than considered as finance cost)	59	12	0	0	612
Freight and handling charges	11,466	12,079	13,532	18,424	21,007
Advertisement and Sales Promotion expenses	7,946	9,175	7,850	9,434	11,529
Bad debts written off	33	63	34	22	34
Allowances for doubtful debts and advances (net)	288	336	334	576	639
Insurance	110	279	284	319	301
Travelling expenses	1,245	1,390	577	1,031	1,919
Miscellaneous expenses*	3,953	4,630	4,757	6,333	7,538
Total	**29,732**	**32,999**	**32,192**	**42,103**	**50,442**

Source: Company, KRChoksey Research

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INR Mn	FY21	FY22	FY23	FY24E	FY25E
Property, plant and equipment	44,764	41,845	41,457	37,372	51,301
Right-to-use assets	8,456	9,058	12,089	12,089	12,089
Capital work-in-progress	1,830	4,264	10,196	34,587	39,103
Goodwill (Net)	3,026	2,429	2,285	2,285	2,285
Other intangible assets	2,340	1,860	1,874	1,874	1,874
Investment in Associate	4,839	5,155	7,817	8,226	8,634
Investments	9,858	5,514	7,830	7,830	9,830
Loans	0	0	0	0	0
Trade receivables	29	24	22	22	22
Other financial assets	5,941	4,861	3,632	3,632	3,632
Deferred tax assets (Net)	143	260	187	213	245
Non-current tax assets (Net)	1,522	1,725	1,895	2,164	2,489
Other non-current assets	684	1,329	3,345	3,820	4,393
Total non-current assets	**83,430**	**78,321**	**92,628**	**1,14,114**	**1,35,897**
Inventories	37,986	61,530	62,106	68,745	79,108
Investments	32,671	21,807	26,970	28,970	30,970
Trade receivables	26,022	38,714	46,369	52,950	60,893
Cash and cash equivalents	3,464	6,217	5,231	4,303	5,168
Other Balances with Banks	2,644	2,426	3,207	3,207	3,207
Other financial assets	11,972	15,335	15,928	15,928	15,928
Assets classified as Held for Sale	135	81	0	0	0
Other current assets	5,372	5,413	5,540	6,326	7,275
Total current assets	**1,20,266**	**1,51,523**	**1,65,352**	**1,80,429**	**2,02,548**
TOTAL ASSETS	**2,03,696**	**2,29,845**	**2,57,980**	**2,94,543**	**3,38,445**

Source: Company, KRChoksey Research

Exhibits: Balance Sheet

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INR Mn	FY21	FY22	FY23	FY24E	FY25E
Equity share capital	959	959	959	959	959
Other equity	1,27,104	1,37,156	1,58,963	1,85,951	2,16,995
Equity attributable to the equity shareholders	1,28,063	1,38,116	1,59,922	1,86,910	2,17,954
Non-controlling interests	4,229	3,875	4,537	5,779	7,206
Total equity	**1,32,292**	**1,41,991**	**1,64,459**	**1,92,690**	**2,25,160**
Borrowings	145	445	762	762	762
Other financial liabilities	5,614	5,984	7,289	7,289	7,289
Lease liabilities	34	22	464	464	464
Provisions	2,152	2,183	2,307	2,307	2,307
Deferred tax liabilities (Net)	4,156	3,489	3,348	3,348	3,348
Other non-current liabilities	45	21	392	392	392
Total non-current liabilities	**12,146**	**12,144**	**14,562**	**14,562**	**14,562**
Borrowings	3,257	7,311	8,961	8,961	8,961
Lease liabilities	1,832	2,129	2,315	2,315	2,315
Trade payables	33,787	41,643	36,354	40,240	46,306
Other financial liabilities	16,030	18,868	24,360	27,817	31,990
Other current liabilities	2,296	3,761	4,590	5,242	6,028
Provisions	844	697	742	847	975
Current tax liabilities (Net)	1,212	1,301	1,637	1,869	2,150
Total current liabilities	**59,259**	**75,710**	**78,959**	**87,291**	**98,724**
Total liabilities	**71,405**	**87,854**	**93,521**	**1,01,853**	**1,13,286**
TOTAL EQUITY AND LIABILITIES	**2,03,696**	**2,29,845**	**2,57,980**	**2,94,543**	**3,38,445**

Source: Company, KRChoksey Research

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Exhibits: Cash Flow Statement & Key Ratios

Cash Flow Statement INR Mn	FY21	FY22	FY23	FY24E	FY25E
Net Cash Generated From Operations	36,834	9,865	41,934	54,265	62,425
Net Cash Flow from/(used in) Investing Activities	(5,478)	(3,217)	(12,746)	(27,841)	(30,336)
Net Cash Flow from Financing Activities	(6,504)	(18,076)	(21,401)	(27,387)	(31,259)
Net Inc/Dec in cash equivalents	24,852	(11,428)	7,787	(963)	830
Opening Balance	9,288	34,212	22,833	30,543	29,615
Closing Balance Cash and Cash Equivalents	3,464	6,217	5,231	4,303	5,168

Key Ratio	FY21	FY22	FY23	FY24E	FY25E
EBITDA Margin (%)	22.4%	16.5%	18.2%	20.0%	20.3%
Tax rate (%)	25.7%	26.5%	26.7%	26.5%	26.5%
Net Profit Margin (%)	14.5%	10.4%	11.9%	13.7%	13.7%
RoE (%)	23.7%	21.3%	25.0%	28.0%	27.6%
RoCE (%)	30.0%	26.6%	31.0%	34.7%	34.4%
EPS (INR)	32.7	31.6	42.8	56.3	64.7

Source: Company, KRChoksey Research

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