

BUY

CMP (Rs)	3,400
Target Price (Rs)	3,939
Potential Upside	15.8%
Sensex	66,356
Nifty	19,681

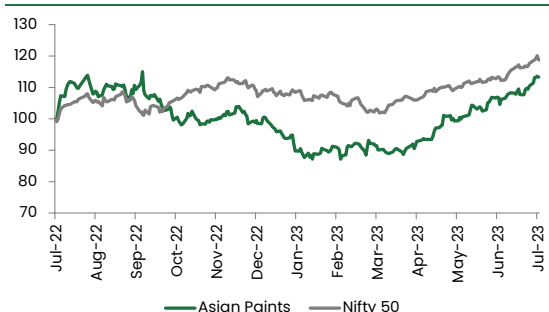
Key Stock data

BSE Code	500820
NSE Code	ASIANPAINT
Bloomberg	APNT:IN
Shares o/s, Cr (FV 1)	95.9
Market Cap (Rs Cr)	326,165
3M Avg Volume	881,296
52 week H/L	3,583/2,686

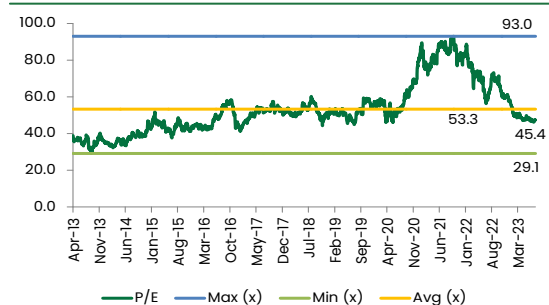
Shareholding Pattern

(%)	Dec-22	Mar-23	Jun-23
Promoter	52.6	52.6	52.6
FII	18.1	17.0	17.5
DII	9.2	10.0	10.1
Others	20.0	20.3	19.8

1 Year relative price performance



1 year PE Forward (x)



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Growth led by double digit volume and margins;

QIFY24 Result Update | Sector: Paint | July 26, 2023

Double-digit volume growth in Decorative segment: Asian paints reported consolidated revenue of Rs 9,182.3cr, higher by 6.7% YoY and 4.5% QoQ led by double digit volume growth of 10% in decorative segment. Volume growth of 10% in QIFY24 was on and above the double digit growth in QIFY23 which was 37% while in Q4FY23 it was 16%. Further urban and rural both grew in double digit and demand is picking up in rural.

Significant improvement seen in margins as compared to YoY: Asian paints gross profit increased by 21.5% YoY and 5.6% QoQ to Rs 3,941.9cr while margins saw improvement of 523bps YoY and 44bps QoQ to 42.9%. The improvement was due to softening of raw material prices, operating efficiencies as well as product mix wherein strong growth was seen in economy and premium product segment while luxury growth was muted. Further, EBITDA improved by 36.3% YoY and 13.8% QoQ to Rs 2,121.3cr with EBITDA margins increased by 502bps and 188bps QoQ and reached to 23.1%. PAT too witnessed a strong growth of 52% YoY and 25.1% QoQ to Rs 1,574.8cr with PAT margin up by 511bps YoY and 283bps QoQ to 17.2%.

Double-Digit growth in Industrial segment: The company's PPGAP and APPP business grew in double digit of 13.3% YoY and 21.6% YoY led by improving demand for Automotive OEM & Refinish segment and growth in protective segment. Further margins saw improvement led by softening raw material prices, improved sales mix and realization. Going ahead, management expects demand from Auto will continue with the launch of new cars, EV models and other variants, etc.

Mixed sentiments in International market: International business sales in constant currency grew by 3.8% however sales and profit in rupee decreased by 1.4% YoY to Rs 695cr and by 30% YoY to Rs 26.5cr due to liquidity issues in key markets of Asia and Africa. Amongst regions, economic uncertainty & forex crisis in Bangladesh, High inflation & currency devaluation in Egypt and muted construction activity in Nepal impacted growth however strong double-digit growth was seen in the Middle East.

New businesses gaining synergies in home décor: Mixed growth was seen amongst the home décor segment wherein new businesses like White Teak and Weatherseal gained strength while the bath and kitchen segment witnessed de-growth due to price increases last year. Further, White teak & Weatherseal business sales grew by 28.4% YoY to Rs 26cr from 9.8cr in QIFY23. Additionally, the management plan is to scale up kitchen and bath business and also its focus on taking Home Décor business revenue to 8-10% of Decorative business by FY25-26 from ~3-4% in QIFY24 is intact.

Outlook & Valuation: We believe Asian paints being a leader will continue to benefit from industry tailwinds such as government focus on infrastructure & housing, longer festive season and better monsoons will aid growth for rural demand. Besides, its strong decorative product portfolio, continuous addition in segments in Home décor, pickup in Industrial segment and capacity expansion will continue to drive growth. Further, product mix and moderation in raw material will help margins to improve. On a financial front, revenue is expected to grow at 18% CAGR over FY23-25E and have increased margin estimated by 1-2% for FY24E & FY25E on the back of easing prices and operating efficiency which translate EBITDA/PAT to grow at 27.8%/30.8% CAGR over FY23-25E. Consequently, our **target** price is revised upwards to **Rs 3,939** (assigned a P/E of 53x i.e. its 10 years average) and have maintained a **Buy** rating.

Financial Summary - consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net revenue	29,101	34,489	40,697	48,022
EBITDA	4,804	6,260	8,017	10,231
EBITDAM (%)	16.5	18.2	19.7	21.3
APAT	3,084.8	4,195.3	5,530.1	7,180.7
APATM (%)	10.6	12.2	13.6	15.0
EPS (Rs)	31.8	42.8	57.2	74.3
PE (x)	106.8	79.5	59.4	45.7
RoE (%)	22.3	26.2	28.3	29.0

Source : RBL Research

Concall Highlights: 1) New products contributed ~11% of the overall revenues. 2) Innovation in the super luxury category with putty and organic material, Italian marble finish paints and decorative with anti-insect, Hydroloc Xtreme Waterproofing, etc. 3) Plan is to continuously add more in the home décor segment so it entered Wooden Flooring, uPVC Doors and other new categories with collaborations with Sabyasachi, Jaipur Rugs, Sarita Handa. 4) Asian Paints is number one integrated Home Décor Player and also number one player in decorative lightings & wallcovering & Textures as well as number 2 in Fabric & Furnishing. 5) Owns 60% stake in White Teak and it has now become the subsidiary of the company. 6) Have opened a new Beautiful Homes Studio in Chennai. 7) Expanded distribution footprint by adding ~6000 retail touch points in Q1FY24. It caters to a total of ~1.6 lac retail touchpoints. 8) Focus is to gain market share from the unorganized segment. 9) Management remains positive on the growth prospect of the company with strong traction towards innovations in Decorative and Home décor. Further, they expect operating margins to be in the range of 18-20% for FY24.

Revenue grew by 6.7% YoY driven by volume growth of 10% in decorative segment

EBITDA margins improved by 502bps YoY on the back of moderation in raw material prices

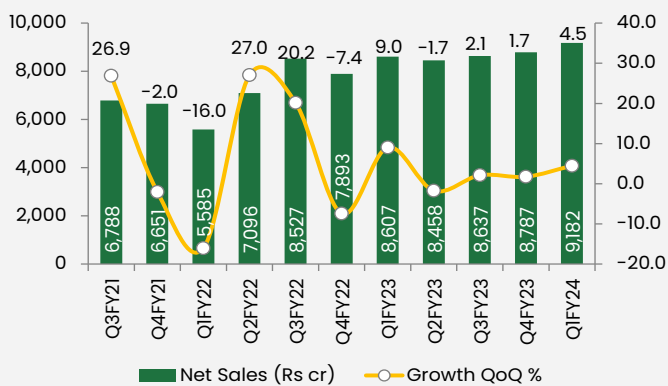
P&L Account Quarterly - consolidated

Particulars, Rs cr	Q1FY24	Q1FY23	Y-o-Y %	Q4FY23	Q-o-Q %
Net Sales	9,182.3	8,606.9	6.7	8,787.3	4.5
Cost of Raw Materials	4,071.0	4,610.3	(11.7)	3,979.3	2.3
Purchase of Finished Goods	856.8	1,063.2	(19.4)	885.0	(3.2)
(Increase) / Decrease In Stocks	312.6	(311.6)	-	188.9	65.5
Total Raw material cost	5,240.4	5,361.9	(2.3)	5,053.2	3.7
Gross Profit	3,941.9	3,245.0	21.5	3,734.1	5.6
Gross Margins %	42.9	37.7	523bps	42.5	44bps
Employee Cost	545.7	489.6	11.5	522.0	4.5
Other Expense	1,275.0	1,199.5	6.3	1,347.3	(5.4)
Total Expenditure	7,061.0	7,051.0	0.1	6,922.6	2.0
EBITDA	2,121.3	1,556.0	36.3	1,864.8	13.8
EBITDA Margins (%)	23.1	18.1	502bps	21.2	188bps
Depreciation	198.3	208.1	(4.7)	220.2	(9.9)
EBIT	1,923.0	1,347.9	42.7	1,644.6	16.9
Other Income	197.1	99.0	99.1	105.5	86.8
Interest	45.8	28.8	59.1	38.9	17.6
PBT	2,074.3	1,418.1	46.3	1,711.2	21.2
Exceptional Item	-	(24.2)	-	(24.7)	-
Shares of profits	30.7	12.8	140.4	23.4	31.3
PBT	2,105.0	1,406.6	49.6	1,709.9	23.1
Tax	530.1	370.6	43.0	451.4	17.4
PAT	1,574.8	1,036.0	52.0	1,258.4	25.1
PAT Margin (%)	17.2	12.0	511bps	14.3	283bps
EPS	16.4	10.8	52.0	13.1	25.1

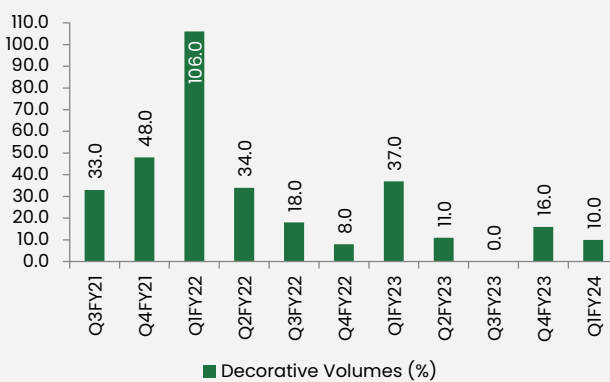
Source : RBL Research

Story in charts

Net Sales grew by 6.7% YoY and 4.5% QoQ

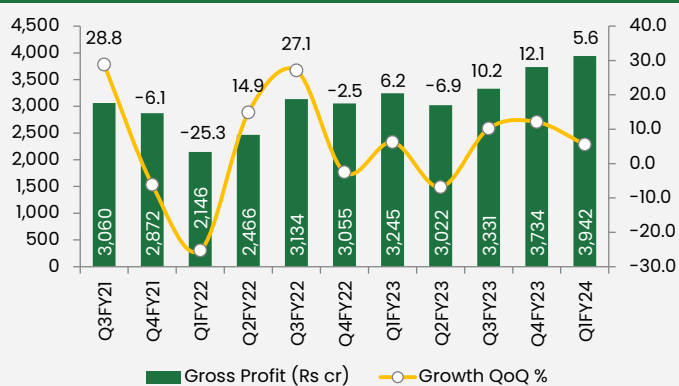


Decorative Business volume came in at ~10% in Q1FY24

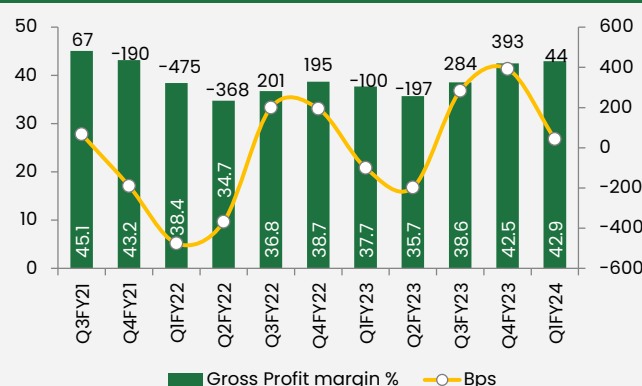


Source : RBL Research

Gross Profit grew by 21.5% YoY and 5.6% QoQ

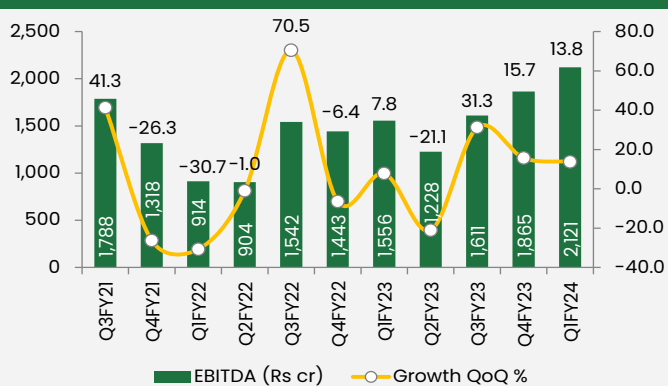


Gross Margins improved by 523bps YoY and 44bps QoQ

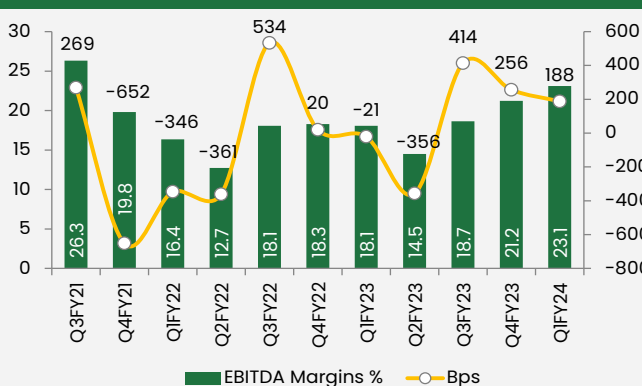


Source : RBL Research

EBITDA grew by 36.3% YoY and 13.8% QoQ

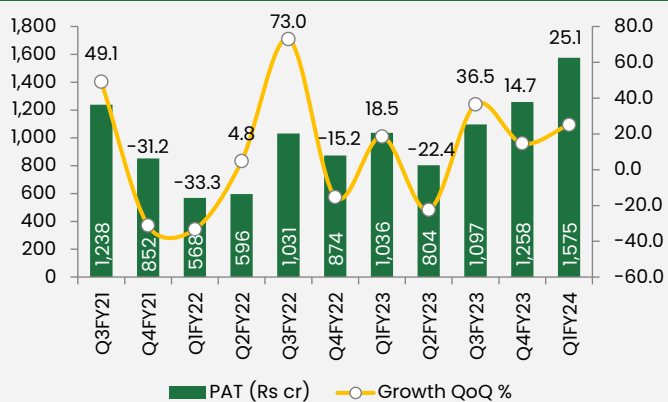


EBITDA Margins improved by 502bps YoY and 188bps QoQ

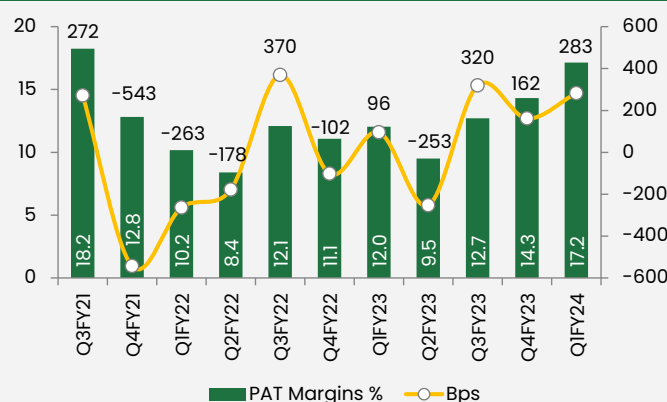


Source : RBL Research

PAT grew by 52% YoY and 25% QoQ



PAT Margins improved by 511bps YoY and 283bps QoQ



Source : RBL Research

P&L Account – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net sales	29,101	34,489	40,697	48,022
Expenditure				
Cost of materials	16,255	17,331	20,348	23,771
Purchase of stock in trade	3,371	4,136	4,477	4,802
(Increase) / Decrease In Stocks	(1,325)	(310)	(203)	(194)
Total raw materials	18,301	21,157	24,621	28,379
Gross Profit	10,801	13,332	16,075	19,643
Gross Margins %	37.1	38.7	39.5	40.9
Employee cost	1,787	2,028	2,279	2,689
Other expenses	4,210	5,044	5,779	6,723
Total expenditure	24,298	28,229	32,679	37,791
EBITDA	4,804	6,260	8,017	10,231
EBITDAM (%)	16.5	18.2	19.7	21.3
Depreciation	816	858	895	960
PBIT	3,987	5,402	7,122	9,271
Other income	380	386	456	538
Interest expenses	95	144	165	176
PBT	4,272	5,644	7,413	9,633
Tax	1,103	1,494	1,927	2,505
Reported PAT	3,169	4,150	5,486	7,129
Exceptional Income / Expenses	(116)	(49)	-	-
PAT (after Exceptional)	3,053	4,101	5,486	7,129
PAT Margin %	10.5	11.9	13.5	14.8
Share of associates	32	94	44	52
Reported Net Profit	3,085	4,195	5,530	7,181
PAT Margin %	10.6	12.2	13.6	15.0
EPS	31.8	42.8	57.2	74.3

Source : RBL Research

Balance Sheet – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Share Capital	96	96	96	96
Reserves & Surplus	13,716	15,896	19,460	24,674
Total Shareholder's Fund	13,812	15,992	19,556	24,770
Minority Interest	388	454	454	454
Long term borrowings	45	76	90	106
Short term borrowing	731	896	1,017	1,105
Total Debt	775	972	1,107	1,211
Deferred tax liabilities	479	499	588	694
Long term provision	218	231	272	321
Other long term liabilities	603	814	961	1,134
Total liabilities	1,300	1,544	1,822	2,149
Total	16,275	18,962	22,938	28,584
Current Liabilities				
Trade payables	4,164	3,635	4,290	5,062
Short term provisions	70	74	88	104
Other current liabilities	2,476	3,127	3,689	4,178
Total	6,710	6,836	8,067	9,344
Total liabilities	22,984	25,798	31,005	37,928
Application of Assets				
Net Block	5,519	5,770	6,174	6,792
Current work in process	426	1,020	1,020	1,020
Non current investment	1,067	1,566	1,848	2,401
Tax assets	198	208	246	290
Long term loans and advances	486	363	429	506
Other non-current assets	133	335	395	466
Total	7,830	9,262	10,111	11,474
Current Assets				
Current investments	2,181	2,697	3,182	4,082
Inventories	6,153	6,211	7,247	8,552
Trade receivables	3,874	4,638	5,473	6,458
Cash balance	622	523	1,257	2,558
Bank balance	243	321	638	1,151
Short term loans and advances	1,534	1,592	2,442	2,881
Other current assets	549	554	654	771
Total	15,155	16,536	20,894	26,454
Total assets	22,984	25,798	31,005	37,928

Source : RBL Research

Cashflow – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Profit before tax	4,188	5,689	7,458	9,685
Add: Depreciation	816	858	895	960
Add: Interest cost	95	144	165	176
Less: Other Income /Interest	(93)	(121)	-	-
Less: Dividend Income	(15)	(13)	-	-
Others	(34)	(97)	-	-
Operating profit before	4,957	6,460	8,517	10,821
Changes in working capital	(2,795)	(772)	(1,476)	(1,434)
Cash from Operations	2,162	5,688	7,042	9,387
Less: Taxes	(1,176)	(1,494)	(1,927)	(2,505)
Cash flow from Operations	986	4,193	5,114	6,882
Net cash used in Investing				
Purchase of fixed assets	(551)	(1,446)	(1,299)	(1,578)
Purchase of investments	(110)	2	(767)	(1,452)
Sales of fixed assets	40	26	-	-
Sales of investments	207	-	-	-
Dividend Income//Interest	92	143	-	-
Cash flow from investing	(322)	(1,275)	(2,067)	(3,030)
Cash flow from Financing				
Proceeds from Equity shares	(75)	-	-	-
Proceeds of borrowings	333	254	135	103
Sales of borrowings	(8)	(271)	-	-
Dividend (Incl dividend tax)	(1,763)	(1,936)	(1,966)	(1,966)
Interest cost	(94)	(142)	(165)	(176)
Others	(201)	(45)	-	-
Cash flow from Financing	(1,808)	(2,140)	(1,996)	(2,039)
Net cash Inflow/Outflow	(1,143)	779	1,052	1,814
Opening Cash	3,421	2,283	3,054	4,106
Exchange gain/loss	5	(8)	-	-
Cash in hand	2,283	3,054	4,106	5,920
Other Investments	(1,805)	(2,647)	(2,849)	(3,362)
Overdraft	143	116	-	-
Cash Transferred to B/S	622	523	1,257	2,558

Source : RBL Research

Key ratios – consolidated

Particulars	FY22	FY23	FY24E	FY25E
Per share Data				
EPS (Rs)	31.8	42.8	57.2	74.3
Book value per share (Rs)	144.0	166.7	203.9	258.2
Dividend per share (Rs)	18.4	20.2	20.5	20.5
Dividend Yield (%)	0.5	0.6	0.6	0.6
Dividend Payout (%)	57.1	46.1	35.6	27.4
Profitability Ratios				
EBITDAM(%)	16.5	18.2	19.7	21.3
PBTM (%)	14.7	16.4	18.2	20.1
NPM (%)	10.5	11.9	13.5	14.8
RoE (%)	22.3	26.2	28.3	29.0
RoCE (%)	27.3	31.8	34.5	35.7
Efficiency Data				
Debt-Equity Ratio	0.1	0.1	0.1	0.0
Interest Cover Ratio	41.8	37.4	43.3	52.8
Fixed Asset Ratio	0.2	0.2	0.2	0.1
Debtors (Days)	48.6	49.1	49.1	49.1
Inventory (Days)	77.2	65.7	65.0	65.0
Payable (Days)	52.2	38.5	38.5	38.5
WC (Days)	73.5	76.3	75.6	75.6
Valuation				
P/E (x)	106.8	79.5	59.4	45.7
P/BV	23.6	20.4	16.7	13.2
EV/EBITDA	67.9	52.2	40.7	31.7
EV/Sales	11.2	9.5	8.0	6.8

Source : RBL Research

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Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)

S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

Nature of Interest (if answer to F (a) above is Yes :

.....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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