

November 11, 2024

Q2FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	REDUCE		REDUCE	
Target Price	2,230		2,605	
Sales (Rs. m)	3,70,483	3,99,884	4,04,263	4,42,810
% Chng.	(8.4)	(9.7)		
EBITDA (Rs. m)	68,654	77,206	82,442	92,088
% Chng.	(16.7)	(16.2)		
EPS (Rs.)	45.0	49.4	55.1	60.4
% Chng.	(18.4)	(18.3)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	3,54,947	3,51,090	3,70,483	3,99,884
EBITDA (Rs. m)	75,850	63,206	68,654	77,206
Margin (%)	21.4	18.0	18.5	19.3
PAT (Rs. m)	54,704	42,437	43,125	47,367
EPS (Rs.)	57.0	44.2	45.0	49.4
Gr. (%)	31.6	(22.4)	1.6	9.8
DPS (Rs.)	26.4	32.4	24.8	27.0
Yield (%)	1.0	1.3	1.0	1.1
RoE (%)	31.5	22.0	20.6	20.7
RoCE (%)	36.6	26.4	25.9	25.8
EV/Sales (x)	6.8	6.9	6.5	6.0
EV/EBITDA (x)	31.7	38.3	35.3	31.1
PE (x)	44.6	57.5	56.6	51.5
P/BV (x)	13.0	12.2	11.2	10.2

Key Data

ASPN.BO | APNT IN

52-W High / Low	Rs.3,423 / Rs.2,506
Sensex / Nifty	79,496 / 24,141
Market Cap	Rs.2,439bn / \$ 28,905m
Shares Outstanding	959m
3M Avg. Daily Value	Rs.3417.53m

Shareholding Pattern (%)

Promoter's	52.63
Foreign	15.28
Domestic Institution	13.16
Public & Others	18.88
Promoter Pledge (Rs bn)	7.77

Stock Performance (%)

	1M	6M	12M
Absolute	(16.3)	(8.2)	(17.3)
Relative	(14.3)	(16.1)	(32.5)

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Demand and Industry dynamics yet to play out

Quick Pointers:

- 2H demand outlook tepid on double digit volume base, FY25 volume growth likely at sub 5%
- Margin outlook a function of volume recovery and stability in RM

We cut FY25/FY26/FY27 EPS by 16.4%/18.4%/18.3% given 24.4% decline in 2Q Consol PAT and muted outlook for 2H25. APNT volume decline of 0.5% indicates some loss of market share as most competitors have grown volumes by 3-4%. While it is too early to cite any impact of Birla opus on the market dynamics, competitive intensity is on the rise, which has also forced APNT to give higher discounts to trade to sustain their ROI. We believe APNT will sustain more incentives to trade as this has been its biggest strength over the years. While we expect sequential volume recovery to set in, APNT guidance for 2H seems weak given high base and heightened competition. We believe regaining lost share might be tough given changed competitive dynamics. However, we expect situation to improve from FY26 onwards and factor in 6.7% revenue growth & 5.6% PAT growth (impacted by higher capex and depreciation) over FY25-27. APNT trades at 51.5x FY27 EPS. We cut DCF based target price to Rs2230 (Rs2605 earlier). Re-Rating seems a long drawn affair given likely impact of Birla opus and rich valuations. Retain Reduce

Decorative volume decline of 0.5%; Consol Revenues declined 5.3% YoY to Rs80.3bn (PLe: Rs86.9bn). Gross margins contracted 259bps YoY to 40.8% EBITDA declined 27.8% YoY to Rs12.4bn (PLe:Rs23.08bn) Margins contracted 480bps YoY to 15.4% (PLe:19.3%). Adj. PAT declined 24.4% YoY to Rs9.1bn (PLe:Rs10.9bn) Standalone Revenues declined by 6.5% YoY to Rs68.7bn; Gross margins contracted by 274bps YoY to 41.4%; EBITDA margins contracted 525bps YoY to 16.3%; Adj. PAT declined by 30.9% YoY to Rs8bn. APNT recognized an exceptional loss of Rs.1.2 billion for investments in Weatherseal and White Teak.

Concall Takeaways: 1) 2Q delivered a subdued performance with 0.5% volume decline, affected by weak consumer sentiment, stress on urban demand, slower growth in construction & Govt sector along with below expectation festive demand. 2) Rural markets are recovering, Tier 2/ Tier 3 cities are performing better than metro cities 3) APNT has completed its capex towards brownfield expansion & is focusing on backward integration projects 4) Industrial segment performed better than decorative segment, however it accounts for 6% of its sales. 5) Material Price Inflation (1.5% QoQ) coupled with previous price reductions & increased rebates (to improve dealer ROI) led to 260bps YoY decline in gross margins. 6) APNT expects to maintain volume-value gap around 5-6% and maintain margins around 18-19% 8) Innovation-led new products contributes ~12% revenues 9) APNT may ramp up its spends due to fairly strong competitive intensity 10) IBD delivers subdued performance with muted performance in Asia, de-growth in Bangladesh and currency devaluation in Ethiopia. Middle-East, Nepal & Sri Lanka performed well 11) APNT recognized an exceptional loss of Rs.1.2 billion for investments in Weather seal and White Teak

Exhibit 1: 2QFY25 Results - Consolidated (Rs mn): Revenues de-grew 5.3%YoY EBITDA margins at 15.4%

Consolidated	Q2FY25	Q2FY24	YoY gr. (%)	2Q25E	% Var.	Q1FY25	H1FY25	H1FY24	YoY gr. (%)
Net Sales	80,275	84,786	(5.3)	86,905	(7.6)	89,697	1,69,973	1,76,609	(3.8)
Gross Profit	32,732	36,771	(11.0)	36,500	(10.3)	38,152	70,884	76,190	(7.0)
% of NS	40.8	43.4	(2.6)	42.0	(1.2)	42.5	41.7	43.1	(1.4)
Other Expenses	20,337	19,609	3.7	19,728	3.1	21,214	41,551	37,815	9.9
% of NS	25.3	23.1	2.2	22.7	2.6	23.7	24.4	21.4	3.0
EBITDA	12,395	17,162	(27.8)	16,773	(26.1)	16,938	29,333	38,375	(23.6)
Margins %	15.4	20.2	(4.8)	19.3	(3.9)	18.9	17.3	21.7	(4.5)
Depreciation	2,420	2,087	15.9	2,588	(6.5)	2,277	4,697	4,070	15.4
Interest	630	509	23.8	570	10.5	554	1,184	967	22.5
Other Income	1,736	1,652	5.1	1,200	44.6	1,562	3,298	3,623	(9.0)
PBT	11,081	16,218	(31.7)	14,815	(25.2)	15,669	26,750	36,961	(27.6)
Tax	2,654	4,186	(36.6)	3,852	(31.1)	4,168	6,822	9,487	(28.1)
Tax rate %	23.9	25.8	(1.9)	26.0	(2.1)	26.6	25.5	25.7	(0.2)
Adj. PAT	9,111	12,058	(24.4)	10,993	(17.1)	11,713	20,824	27,572	(24.5)

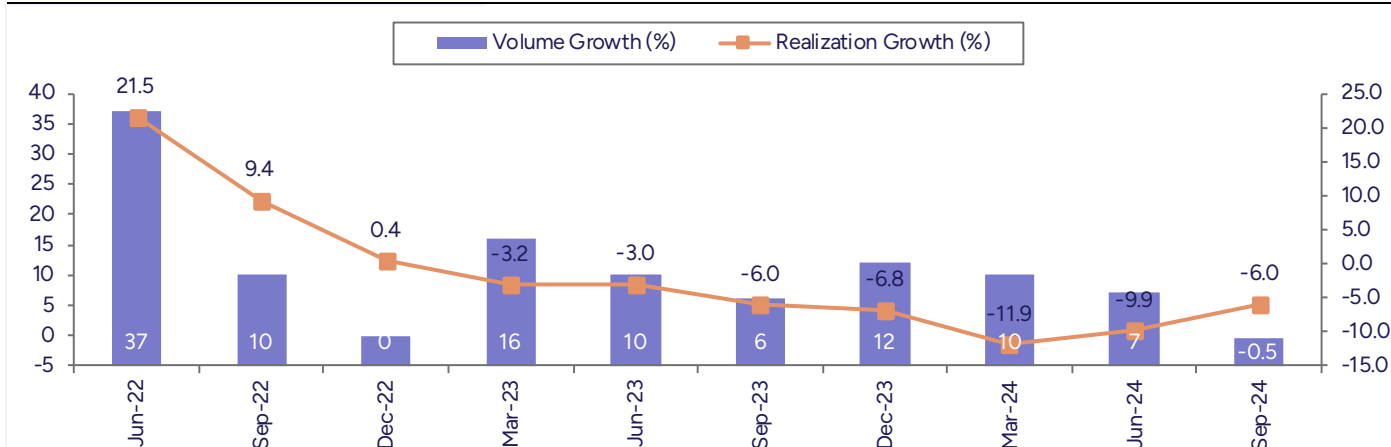
Source: Company, PL

Exhibit 2: 2QFY25 Results - Standalone (Rs mn): Revenues de-grew 6.5% YoY, EBITDA margins at 16.3%

Standalone	Q2FY25	Q2FY24	YoY gr. (%)	2Q25E	% Var.	Q1FY25	H1FY25	H1FY24	YoY gr. (%)
Net Sales	68,684	73,422	(6.5)	74,891	(8.3)	78,816	1,47,500	1,54,562	(4.6)
Gross Profit	28,416	32,386	(12.3)	32,203	(11.8)	33,973	62,389	67,743	(7.9)
% of NS	41.4	44.1	(2.7)	43.0	(1.6)	43.1	42.3	43.8	(1.5)
Other Expenses	17,194	16,539	4.0	17,524	(1.9)	18,043	35,237	31,898	10.5
% of NS	25.0	22.5	2.5	23.4	1.6	22.9	23.9	20.6	3.3
EBITDA	11,222	15,847	(29.2)	14,679	(23.5)	15,930	27,152	35,845	(24.3)
Margins %	16.3	21.6	(5.2)	19.6	(3.3)	20.2	18.4	23.2	(4.8)
Depreciation	2,073	1,789	15.9	2,150	(3.6)	1,957	4,031	3,510	14.8
Interest	390	275	41.9	354	10.3	304	695	538	29.1
Other Income	1,816	1,723	5.4	1,800	0.9	2,256	4,071	3,891	4.6
PBT	10,574	15,506	(31.8)	13,975	(24.3)	15,924	26,498	35,688	(25.7)
Tax	2,553	3,904	(34.6)	3,494	(26.9)	4,000	6,553	9,002	(27.2)
Tax rate %	24.1	25.2	(1.0)	25.0	(0.9)	25.1	24.7	25.2	(0.5)
Adj. PAT	8,021	11,602	(30.9)	10,481	(23.5)	11,924	19,945	26,686	(25.3)

Source: Company, PL

Exhibit 3: Decorative volumes de-grew 0.5% while negative realization continues



Source: Company, PL

Exhibit 4: IBD reported subdued performance whereas macro-economic challenges lead to constrains in profitability

(Rs mn)	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Revenue	8160	7860	8030	7170	7900	7870	8210	6910	7890
Africa	1750	1830	1750	1590	1820	2010	1930	1470	1410
Middle East	2210	2400	2460	2490	2460	2520	2580	2540	2930
Asia	3800	3230	3490	2750	3180	2890	3340	2550	3100
South Pacific	400	400	330	340	440	450	360	350	450
YoY Growth	15.4%	1.3%	-3.1%	1.0%	-3.2%	0.1%	2.2%	-3.6%	-0.1%
Africa	26.8%	46.4%	10.8%	5.3%	4.0%	9.8%	10.3%	-7.5%	-22.5%
Middle East	28.5%	17.1%	24.9%	22.7%	11.3%	5.0%	4.9%	2.0%	19.1%
Asia	3.8%	-20.2%	-21.0%	-16.7%	-16.3%	-10.5%	-4.3%	-7.3%	-2.5%
South Pacific	29.0%	-2.4%	3.1%	30.8%	10.0%	12.5%	9.1%	2.9%	2.3%
PBT	500	500	540	420	540	710	560	240	-60
Africa	30	100	90	160	240	310	100	240	-340
Middle East	-20	110	170	140	70	280	260	140	260
Asia	420	220	240	60	130	20	180	-190	-60
South Pacific	70	70	40	60	100	100	20	50	80
PBT Margins	6%	6%	7%	6%	7%	9%	7%	3%	-1%
Africa	2%	5%	5%	10%	13%	15%	5%	16%	-24%
Middle East	-1%	5%	7%	6%	3%	11%	10%	6%	9%
Asia	11%	7%	7%	2%	4%	1%	5%	-7%	-2%
South Pacific	18%	18%	12%	18%	23%	22%	6%	14%	18%
YoY Growth	-600%	163%	135%	-1.0%	11.6%	41.8%	4%	-43%	-111%
Africa	-119%	-163%	400%	89.9%	669.2%	182.2%	-11%	-50%	-242%
Middle East	-82%	450%	200%	1041.4%	-414.4%	142.4%	-53%	0%	271%
Asia	320%	0%	-35%	-76.0%	-63.0%	-89.8%	-25%	-417%	-146%
South Pacific	0%	-36%	-33%	52.9%	29.9%	27.0%	-50%	-17%	-20%

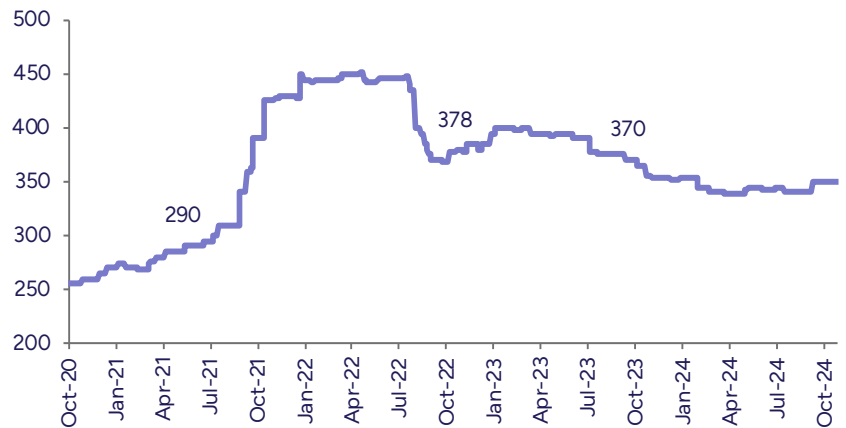
Source: Company, PL

Exhibit 5: Domestic – Auto and Gen Industrial Paints report robust performance, Bath and Kitchen margins suffer

(Rs mn)	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Revenue	9140	9660	9120	9470	9240	10490	9740	10030	9770
PPG-AP	4690	5130	4280	4720	4950	5760	4710	5170	5240
AP-PPG	2250	2620	2900	2940	2510	2880	3130	2930	2650
Kitchen Business	1180	1010	980	960	970	1000	1010	1000	1050
Bath Business	1020	900	960	850	810	850	890	930	830
YoY Growth	21.1%	15.0%	3.6%	7.0%	1.1%	8.6%	6.8%	5.9%	5.7%
PPG-AP	24.4%	23.6%	8.1%	13.5%	5.5%	12.3%	10.0%	9.5%	5.9%
AP-PPG	25.0%	24.2%	17.4%	21.5%	11.6%	9.9%	7.9%	-0.3%	5.6%
Kitchen Business	12.4%	-9.0%	-23.4%	-11.9%	-17.8%	-1.0%	3.1%	4.2%	8.2%
Bath Business	9.7%	-12.6%	-11.9%	-28.0%	-20.6%	-5.6%	-7.3%	9.4%	2.5%
PBT	670	1100	780	1190	869	1540	919	1280	904
PPG-AP	570	910	560	820	770	1280	690	990	830
AP-PPG	140	260	330	390	159	330	349	300	190
Kitchen Business	-40	-60	-110	-20	-30	0	-10	-30	-49
Bath Business	0	-10	0	0	-30	-70	-110	20	-67
PBT Margins	7%	11%	9%	13%	9%	15%	9%	13%	9%
PPG-AP	12%	18%	13%	17%	16%	22%	15%	19%	16%
AP-PPG	6%	10%	11%	13%	6%	11%	11%	10%	7%
Kitchen Business	-3%	-6%	-11%	-2%	-3%	0%	-1%	-3%	-5%
Bath Business	0%	-1%	0%	0%	-4%	-8%	-12%	2%	-8%

Source: Company, PL

Exhibit 6: Tio2 prices down 8.5% YoY but up 0.3% QoQ



Source: Company, PL

Exhibit 7: APNT has revamped its packaging to give brand an upmarket look



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	3,54,947	3,51,090	3,70,483	3,99,884
YoY gr. (%)	2.9	(1.1)	5.5	7.9
Cost of Goods Sold	2,00,902	2,03,987	2,15,506	2,32,551
Gross Profit	1,54,045	1,47,103	1,54,977	1,67,333
Margin (%)	43.4	41.9	41.8	41.8
Employee Cost	23,262	25,672	26,551	27,314
Other Expenses	54,934	58,225	59,772	62,814
EBITDA	75,850	63,206	68,654	77,206
YoY gr. (%)	21.2	(16.7)	8.6	12.5
Margin (%)	21.4	18.0	18.5	19.3
Depreciation and Amortization	8,530	10,288	13,532	16,864
EBIT	67,320	52,918	55,122	60,342
Margin (%)	19.0	15.1	14.9	15.1
Net Interest	2,052	2,280	2,366	2,418
Other Income	6,880	5,576	4,518	5,215
Profit Before Tax	72,148	56,214	57,275	63,139
Margin (%)	20.3	16.0	15.5	15.8
Total Tax	17,901	14,054	14,319	15,785
Effective tax rate (%)	24.8	25.0	25.0	25.0
Profit after tax	54,247	42,161	42,956	47,354
Minority interest	873	1,458	1,540	1,849
Share Profit from Associate	1,330	1,734	1,709	1,862
Adjusted PAT	54,704	42,437	43,125	47,367
YoY gr. (%)	31.6	(22.4)	1.6	9.8
Margin (%)	15.4	12.1	11.6	11.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	54,704	42,437	43,125	47,367
YoY gr. (%)	33.2	(22.4)	1.6	9.8
Margin (%)	15.4	12.1	11.6	11.8
Other Comprehensive Income	320	-	-	-
Total Comprehensive Income	55,024	42,437	43,125	47,367
Equity Shares O/s (m)	959	959	959	959
EPS (Rs)	57.0	44.2	45.0	49.4

Source: Company, PL

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	1,03,569	1,08,769	1,91,969	1,97,169
Tangibles	97,070	1,02,070	1,85,070	1,90,070
Intangibles	6,499	6,699	6,899	7,099
Acc: Dep / Amortization	54,857	61,194	70,182	81,821
Tangibles	52,608	58,582	67,196	78,450
Intangibles	2,249	2,612	2,986	3,371
Net fixed assets	48,712	47,574	1,21,786	1,15,347
Tangibles	44,462	43,488	1,17,874	1,11,619
Intangibles	4,250	4,087	3,913	3,728
Capital Work In Progress	26,984	53,984	3,000	3,000
Goodwill	4,192	4,192	4,192	4,192
Non-Current Investments	19,910	18,134	19,056	20,163
Net Deferred tax assets	(3,289)	(3,092)	(3,066)	(3,038)
Other Non-Current Assets	23,840	24,312	25,583	27,240
Current Assets				
Investments	32,034	14,153	10,492	31,365
Inventories	59,234	59,159	60,759	64,781
Trade receivables	48,891	48,094	50,751	54,779
Cash & Bank Balance	10,840	9,520	8,379	10,399
Other Current Assets	7,858	7,022	6,854	7,198
Total Assets	2,99,241	3,04,603	3,29,561	3,58,938
Equity				
Equity Share Capital	959	959	959	959
Other Equity	1,86,324	1,98,203	2,17,588	2,39,057
Total Networth	1,87,283	1,99,162	2,18,547	2,40,016
Non-Current Liabilities				
Long Term borrowings	544	100	100	100
Provisions	2,226	2,586	2,676	2,756
Other non current liabilities	345	392	392	392
Current Liabilities				
ST Debt / Current of LT Debt	10,528	4,023	4,274	4,557
Trade payables	38,313	39,121	41,330	44,599
Other current liabilities	36,169	35,601	36,723	38,957
Total Equity & Liabilities	2,99,241	3,04,603	3,29,561	3,58,938

Source: Company, PL

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	72,148	56,214	57,275	63,139
Add. Depreciation	8,530	10,288	13,532	16,864
Add. Interest	2,052	2,280	2,366	2,418
Less Financial Other Income	6,880	5,576	4,518	5,215
Add. Other	(102)	-	-	-
Op. profit before WC changes	82,628	68,782	73,172	82,421
Net Changes-WC	(3,654)	21,974	3,275	(25,945)
Direct tax	(17,901)	(14,054)	(14,319)	(15,785)
Net cash from Op. activities	61,073	76,702	62,129	40,692
Capital expenditures	(39,079)	(37,108)	(37,861)	(11,691)
Interest / Dividend Income	-	-	-	-
Others	3,132	1,136	960	1,044
Net Cash from Invst. activities	(35,947)	(35,973)	(36,901)	(10,647)
Issue of share cap. / premium	47	(938)	(1,540)	(1,849)
Debt changes	5,686	(8,009)	996	1,832
Dividend paid	(25,323)	(31,078)	(23,740)	(25,898)
Interest paid	(2,052)	(2,280)	(2,366)	(2,418)
Others	(421)	-	-	-
Net cash from Fin. activities	(22,063)	(42,304)	(26,650)	(28,333)
Net change in cash	3,062	(1,574)	(1,422)	1,712
Free Cash Flow	21,994	39,594	24,268	29,001

Source: Company, PL

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	57.0	44.2	45.0	49.4
CEPS	65.9	55.0	59.1	67.0
BVPS	195.2	207.6	227.8	250.2
FCF	22.9	41.3	25.3	30.2
DPS	26.4	32.4	24.8	27.0
Return Ratio(%)				
RoCE	36.6	26.4	25.9	25.8
ROIC	35.9	22.4	21.3	23.6
RoE	31.5	22.0	20.6	20.7
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.1)	(0.1)	(0.2)
Net Working Capital (Days)	72	71	69	68
Valuation(x)				
PER	44.6	57.5	56.6	51.5
P/B	13.0	12.2	11.2	10.2
P/CEPS	38.6	46.3	43.1	38.0
EV/EBITDA	31.7	38.3	35.3	31.1
EV/Sales	6.8	6.9	6.5	6.0
Dividend Yield (%)	1.0	1.3	1.0	1.1

Source: Company, PL

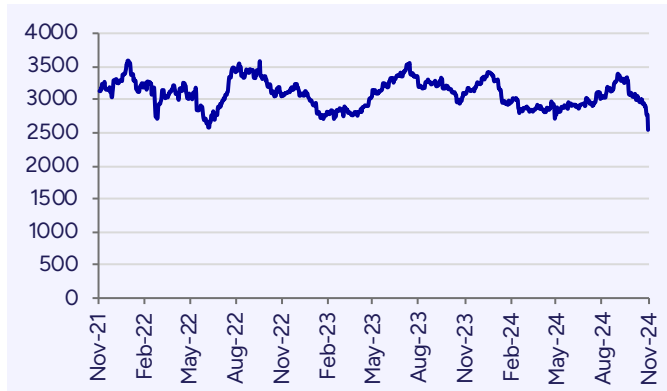
Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	91,031	87,308	89,697	80,275
YoY gr. (%)	5.4	(0.6)	(2.3)	(5.3)
Raw Material Expenses	51,336	49,147	51,546	47,543
Gross Profit	39,695	38,160	38,152	32,732
Margin (%)	43.6	43.7	42.5	40.8
EBITDA	20,561	16,914	16,938	12,395
YoY gr. (%)	27.6	(9.3)	(20.2)	(27.8)
Margin (%)	22.6	19.4	18.9	15.4
Depreciation / Depletion	2,204	2,256	2,277	2,420
EBIT	18,357	14,658	14,661	9,975
Margin (%)	20.2	16.8	16.3	12.4
Net Interest	544	541	554	630
Other Income	1,386	1,871	1,562	1,736
Profit before Tax	19,199	15,988	15,669	11,081
Margin (%)	21.1	18.3	17.5	13.8
Total Tax	4,926	3,488	4,168	2,654
Effective tax rate (%)	25.7	21.8	26.6	23.9
Profit after Tax	14,273	12,500	11,501	8,427
Minority interest	285	88	155	(373)
Share Profit from Associates	479	253	367	311
Adjusted PAT	14,467	12,665	11,713	9,111
YoY gr. (%)	34.3	-	(24.5)	(24.4)
Margin (%)	15.9	14.5	13.1	11.3
Extra Ord. Income / (Exp)	-	-	-	(1,801)
Reported PAT	14,467	12,665	11,713	7,310
YoY gr. (%)	34.3	2.0	(24.5)	(39.4)
Margin (%)	15.9	14.5	13.1	9.1
Other Comprehensive Income	168	(448)	786	709
Total Comprehensive Income	14,635	12,217	12,498	8,019
Avg. Shares O/s (m)	959	959	959	959
EPS (Rs)	15.1	13.2	12.2	9.5

Source: Company, PL

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-24	Reduce	2,605	3,073
2	18-Jul-24	Reduce	2,605	2,974
3	09-Jul-24	Reduce	2,672	2,936
4	10-May-24	Reduce	2,672	2,710
5	09-Apr-24	Reduce	2,698	2,857
6	23-Feb-24	Reduce	2,702	3,017
7	17-Jan-24	Hold	3,159	3,242
8	08-Jan-24	Accumulate	3,466	3,298

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Reduce	2,605	3,073
2	Avenue Supermarts	Hold	4,748	4,573
3	Britannia Industries	Accumulate	6,397	6,206
4	Colgate Palmolive	Reduce	2,973	3,219
5	Dabur India	Hold	589	547
6	Emami	Hold	761	670
7	Hindustan Unilever	Hold	2,744	2,659
8	ITC	Accumulate	539	472
9	Jubilant FoodWorks	Hold	582	629
10	Kansai Nerolac Paints	Reduce	269	271
11	Marico	Accumulate	693	629
12	Metro Brands	Hold	1,208	1,165
13	Mold-tekk Packaging	Accumulate	803	737
14	Nestle India	Accumulate	2,689	2,379
15	Pidilite Industries	Accumulate	3,339	3,122
16	Restaurant Brands Asia	Hold	109	92
17	Titan Company	BUY	3,782	3,230
18	Westlife Foodworld	Hold	797	802

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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