

05 February 2025

India | Equity Research | Results update

Asian Paints

Consumer Staples & Discretionary

CY25 - likely to be another tough year (despite favourable base)

While there will be a favourable base starting from Q4FY25, Asian Paints is likely to post muted growth rates in CY25 considering: (1) The stress in urban markets is likely to continue. It has also resulted in downtrading impacting the profit pool. (2) Competitive intensity will materially increase in H1FY26 as Grasim would have commenced all the plants and largely rolled out the distribution. Considering the recent pricing actions in putty and entry level emulsions, we model Asian Paints to focus on protecting market shares sacrificing margins. (3) Commodity prices are also inching upwards along with INR depreciation. While APNT is able to pass on inflation in normal circumstances, we model APNT to face challenges now given the difficult macro environment. There is also a possibility of cyclical slowdown in the auto sector which may impact industrial coatings.

We also note other segments (Kitchen, Bath, Beautiful Homes, etc.) are still in the investment mode and do not model any earnings contribution in FY26-27. We cut FY25-26 earnings estimates by 3%. REDUCE retained.

Q3FY25 results

Asian Paints reported revenue, EBITDA and adjusted PAT decline of 6.1%, 20.4%, and 23.3%, respectively. India Decorative volumes were up 1.6% YoY. Gross and EBITDA margins contracted 116bps and 344bps YoY, respectively. Downtrading (inferior revenue mix) primarily led to weak margins, in our view, in spite of the benefit of input deflation of 2.1%. It has cut selling prices by 0.3% at end-Jan'25. Standalone revenue, EBITDA and PAT declined of 7.5%, 20.5% and 23.2% YoY, respectively.

Segment-wise performance

India Decorative segment reported weak numbers but industrial coatings reported revenue growth of 3.8% YoY. International business revenues grew 5% in INR terms (constant currency: 17.1%). While Africa revenues were impacted by currency devaluation in Egypt and Ethiopia, the Middle East reported strong double-digit revenue growth. Kitchen and Bath reported YoY revenue growth of 3% due to weak consumer sentiment. White Teak and Weatherseal reported revenue decline of 23% and 14% YoY, respectively.

Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	3,54,947	3,47,554	3,70,794	4,00,668
EBITDA	75,850	65,744	67,199	72,122
EBITDA Margin (%)	21.4	18.9	18.1	18.0
Net Profit	54,141	42,775	42,636	44,615
EPS (INR)	56.4	44.6	44.4	46.5
EPS % Chg YoY	29.9	(21.0)	(0.3)	4.6
P/E (x)	41.7	52.8	53.0	50.6
EV/EBITDA (x)	29.2	33.6	32.9	30.7
RoCE (%)	24.7	18.0	16.8	16.9
RoE (%)	31.2	22.0	20.6	20.4

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Market Data

Market Cap (INR)	2,258bn
Market Cap (USD)	25,940mn
Bloomberg Code	APNT IN
Reuters Code	ASPN.BO
52-week Range (INR)	3,395 / 2,208
Free Float (%)	47.0
ADTV-3M (mn) (USD)	42.9

Price Performance (%)	3m	6m	12m
Absolute	(19.2)	(24.2)	(19.8)
Relative to Sensex	(19.0)	(21.3)	(28.8)

ESG Score	2023	2024	Change
ESG score	65.0	76.1	11.1
Environment	46.7	65.4	18.7
Social	65.0	76.5	11.5
Governance	77.0	81.5	4.5

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY25E	FY26E
Revenue	(3.5)	(3.4)
EBITDA	(2.7)	(2.6)
EPS	(3.1)	(3.0)

Previous Reports

10-11-2024: [Q2FY25 results review](#)

18-07-2024: [Q1FY25 results review](#)

Weak outlook over next two quarters

The company expects the stress in urban markets to continue going forward. It expects demand from rural markets to be relatively stronger. While there is favourable base from Q4FY25, APNT expects revenue growth to be muted and it will attempt to report single-digit volume growth. However, it expects to maintain EBITDA margin in the range of 18%-20%. We model it to be closer to 18% in FY26 and FY27.

FY26 – real test of increase in competitive pressures

As Grasim is yet to commence all its plants and is still in distribution expansion and product rollout stage, we believe the real test of increase in competitive pressures will likely be in FY26. If consumer sentiment remains muted, there is a possibility of a dual impact of loss of market shares as well as contraction in EBITDA margins. Considering recent actions of price cuts in putty and entry level emulsion paints, we model Asian Paints to sacrifice margins in order to protect the market shares.

Valuation

We model Asian Paints to report revenue and PAT CAGR of 4.1% and -6.2%, respectively over FY24-27. Factoring in 9MFY25, we model Asian Paints to post YoY earnings decline in FY25 after a gap of almost 17 years. We maintain REDUCE with DCF-based revised TP of INR 2,200 (implied target P/E of 48x FY27E).

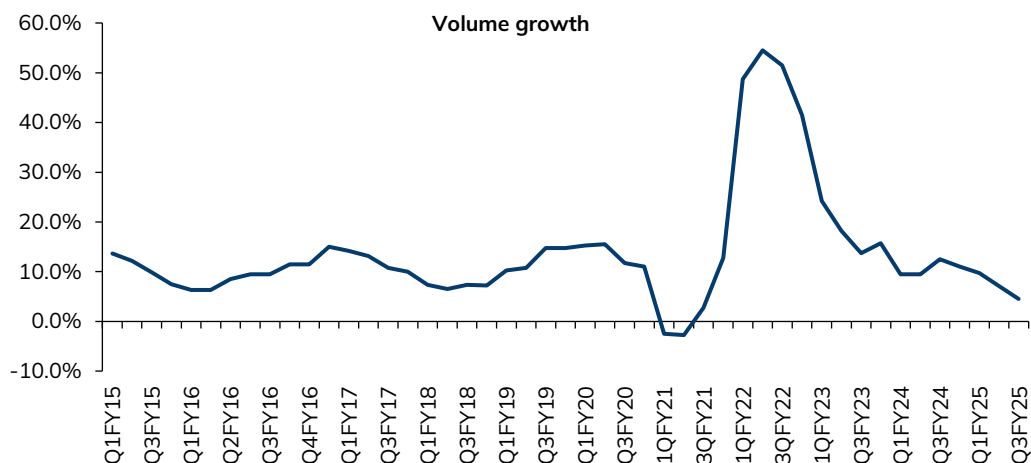
Key risks: Steep correction in commodity prices and better-than-expected success of new products.

Exhibit 1: Q3FY25 consolidated financial performance

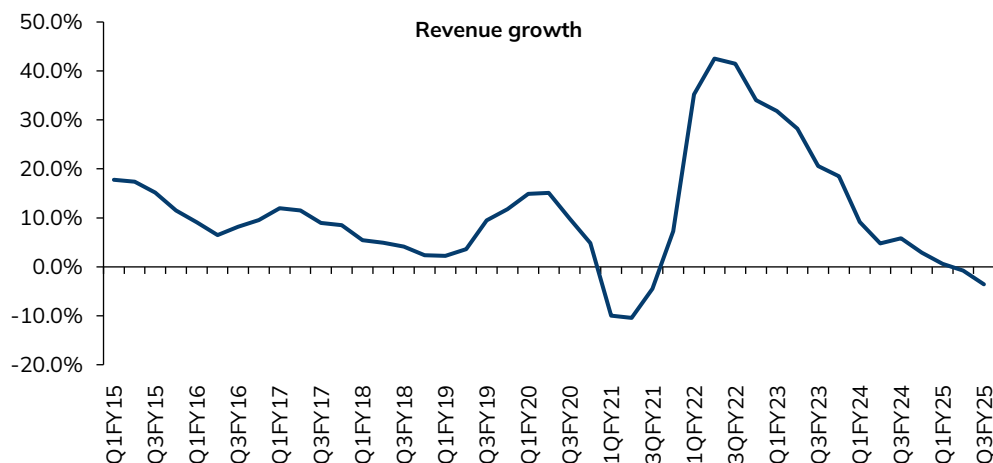
INR mn	Q3FY25	Q3FY24	% YoY	Q2FY25	% QoQ
Net revenues	85,494	91,031	(6.1)	80,275	6.5
Raw materials	49,204	51,336	(4.2)	47,543	3.5
% of sales	57.6%	56.4%	116 bps	59.2%	-167 bps
Employee costs	6,151	5,702	7.9	6,765	(9.1)
% of sales	7.2%	6.3%	93 bps	8.4%	-123 bps
Other expenditure	13,773	13,432	2.5	13,572	1.5
% of sales	16.1%	14.8%	135 bps	16.9%	-80 bps
Total expenditure	69,127	70,470	(1.9)	67,880	1.8
EBITDA	16,367	20,561	(20.4)	12,395	32.0
EBITDA margin (%)	19.1%	22.6%	-344 bps	15.4%	370 bps
Other income	1,430	1,386	3.2	1,736	(17.6)
PBDIT	17,797	21,947	(18.9)	14,131	25.9
Depreciation	2,556	2,204	16.0	2,420	5.6
PBIT	15,242	19,743	(22.8)	11,711	30.2
Interest	558	544	2.6	630	(11.4)
PBT	14,683	19,199	(23.5)	11,081	32.5
Tax	3,897	4,926	(20.9)	2,654	46.9
% of PBT	27%	26%	3.4	24%	10.8
PAT before associates & MI	10,786	14,273	(24.4)	8,427	28.0
Share of profit from associates	498	479	4.1	311	60.1
Minority interest	192	285	(32.7)	(373)	(151.4)
Extraordinary	(58)	168	-	(1,092)	-
PAT	11,035	14,635	(24.6)	8,019	37.6
Adj. PAT	11,093	14,467	(23.3)	9,111	21.8

Source: Company data, I-Sec research

Exhibit 2: Normalised volume growth (average of past four quarters volume growth)



Source: Company data, I-Sec research

Exhibit 3: Normalised revenue growth*


Source: Company data, I-Sec research, *TTM revenue growth

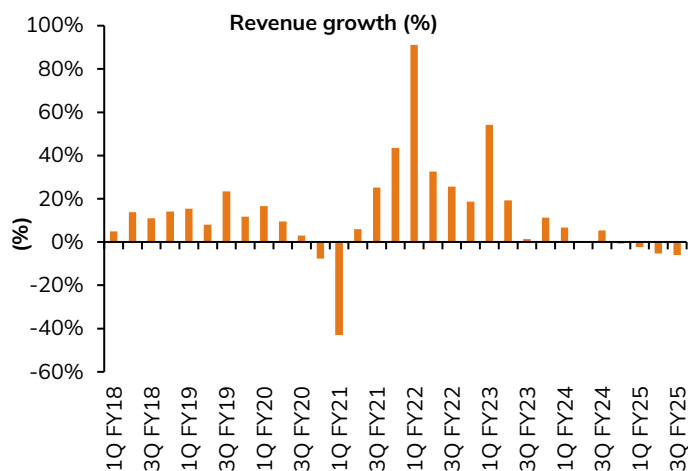
Exhibit 4: Q3FY25 standalone financial performance

INR mn	Q3FY25	Q3FY24	% YoY	Q2FY25	% QoQ
Net revenues	73,205	79,130	(7.5)	68,684	6.6
Raw materials	41,420	43,994	(5.8)	40,268	2.9
% of sales	57%	56%	98 bps	59%	-205 bps
Employee costs	4,476	4,279	4.6	5,114	(12.5)
% of sales	6%	5%	71 bps	7%	-133 bps
Other expenditure	12,225	11,887	2.9	12,080	1.2
% of sales	17%	15%	168 bps	18%	-89 bps
Total expenditure	58,122	60,160	(3.4)	57,462	1.1
EBITDA	15,084	18,970	(20.5)	11,222	34.4
<i>EBITDA margin (%)</i>	<i>20.6%</i>	<i>24.0%</i>	<i>-337 bps</i>	<i>16.3%</i>	<i>427 bps</i>
Other income	2,265	2,381	(4.9)	1,816	24.7
PBDIT	17,348	21,351	(18.7)	13,038	33.1
Depreciation	2,214	1,900	16.5	2,073	6.8
PBIT	15,135	19,451	(22.2)	10,964	38.0
Interest	328	310	5.7	390	(16.1)
PBT	14,807	19,141	(22.6)	10,574	40.0
Tax	3,721	4,707	(20.9)	2,553	45.8
<i>% of PBT</i>	<i>25.1%</i>	<i>24.6%</i>	<i>2.2</i>	<i>24%</i>	<i>4.1</i>
PAT	11,086	14,435	(23.2)	8,021	38.2
Minority interest	-	-	-	-	-
Extraordinary items	(262)	346	-	(401)	-
PAT after MI	10,824	14,781	(26.8)	7,620	42.0
Adj. PAT	11,086	14,435	(23.2)	8,021	38.2

Source: Company data, I-Sec research

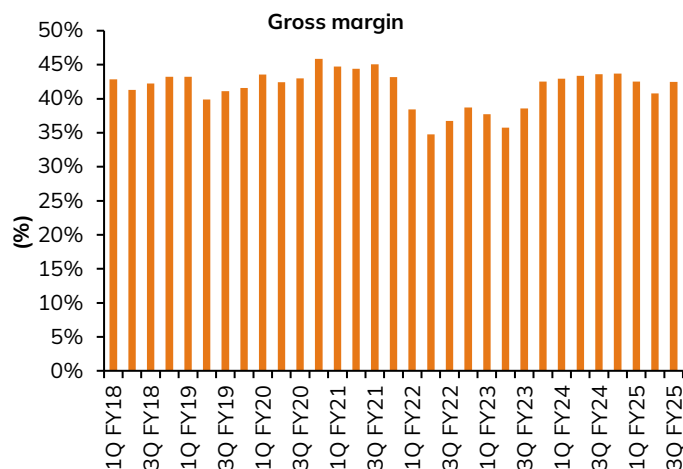
Operational highlights – Quarterly

Exhibit 5: Revenue growth (YoY)



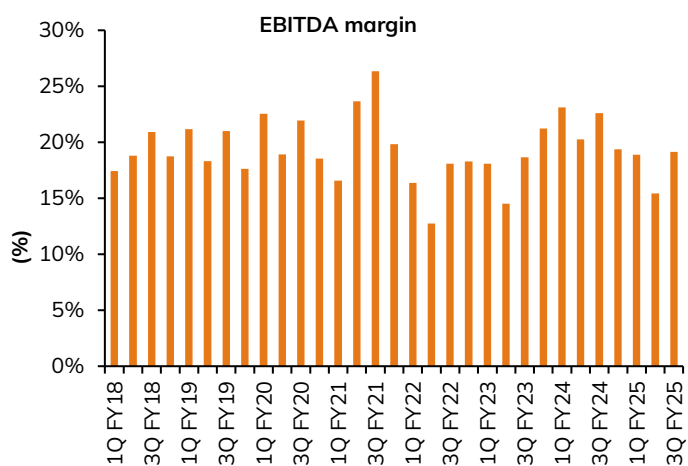
Source: Company data, I-Sec research

Exhibit 6: Gross margin



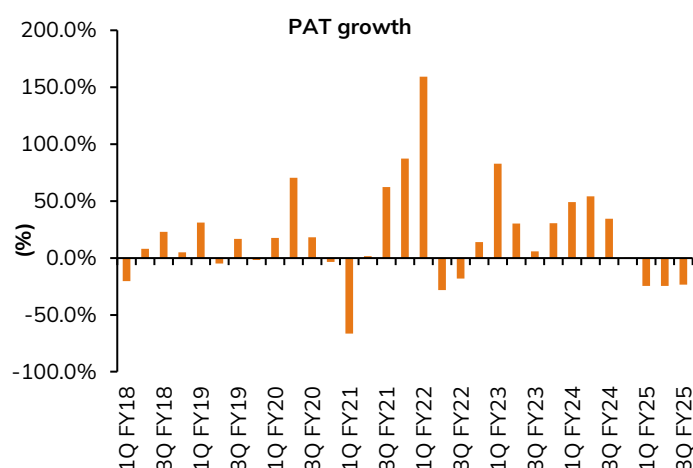
Source: Company data, I-Sec research

Exhibit 7: EBITDA margin



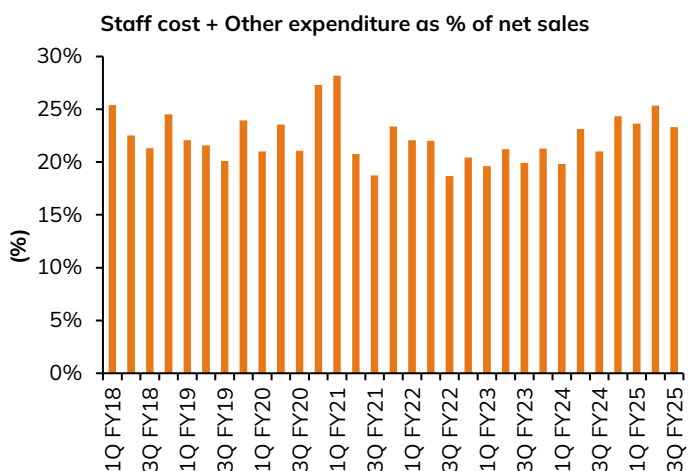
Source: Company data, I-Sec research

Exhibit 8: PAT growth (YoY)



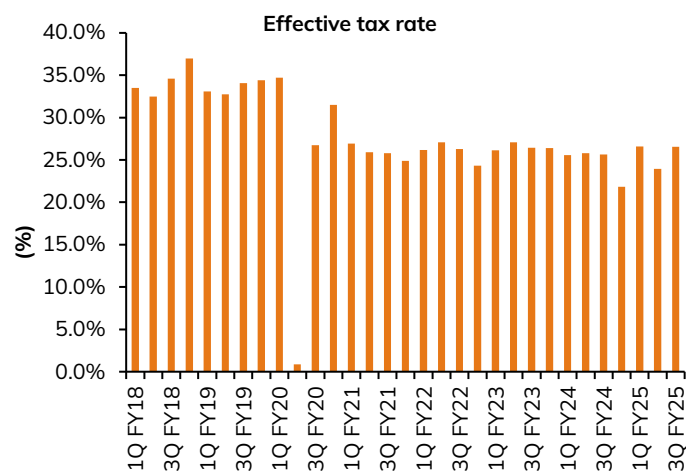
Source: Company data, I-Sec research

Exhibit 9: Staff cost and other expenditure as % of net sales



Source: Company data, I-Sec research

Exhibit 10: Effective tax rate



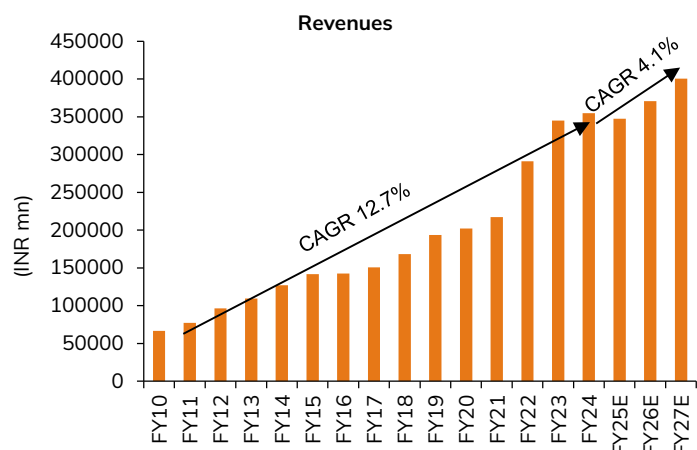
Source: Company data, I-Sec research

Takeaways from Q3FY25 results and conference call

- While Decorative India sales declined 7.8% YoY, volume growth was 1.6% YoY. There is also downtrading in the market which has also impacted the value growth.
- Industrial revenues were up 3.8% YoY. However, the margins were impacted even in Industrial segment.
- Q3FY25 was impacted by weak festive demand. There is slowdown in urban markets and there is also impact on some of the seasonal markets.
- The company has continued to invest in distribution and has expanded the reach to ~169,000 retail outlets.
- It also maintained the focus on innovation with new products accounting for 12% of the revenues. It also introduced waterproofing product Smartcare Infinia which has warranty of 25 years.
- There is revival in projects business. There is traction seen in government sector post three quarters of slow growth.
- The company has introduced regional packaging with products focussing on states such as Maharashtra, Gujarat and Kerala. It has also changed the packaging of the interior emulsions.
- Kitchen as well as Bath segments reported 3% revenue growth YoY. The offtake was muted in these two segments too. White Teak and Weatherseal reported revenue decline of 23% and 14%, respectively YoY.
- International markets reported 5% revenue growth in INR terms and constant currency growth was 17.1% YoY. While Africa was impacted by currency devaluation in Egypt and Ethiopia, there was strong double-digit growth in Middle East especially UAE.
- The company has cut the prices by 0.3% at end of Jan'25.
- It expects the demand outlook in urban markets to remain challenging over next two quarters. It also expects the rural demand to relatively remain strong.
- The company will focus on driving single digit volume growth and will also focus on maintaining EBITDA in the band of 18%-20% in FY26. It is also working on multiple cost saving initiatives.
- It also plans to scale up the Industrial business.
- It has set up 23 centres across India to train the painters on machine-based painting. It will help to reduce the time (number of days) for painting. It may help to reduce repainting cycle.
- The latex paint market is ~0.5mn KL and only 7%-9% of the market is tapped as of now. There is strong potential and some peers have also launched products after Asian Paints.

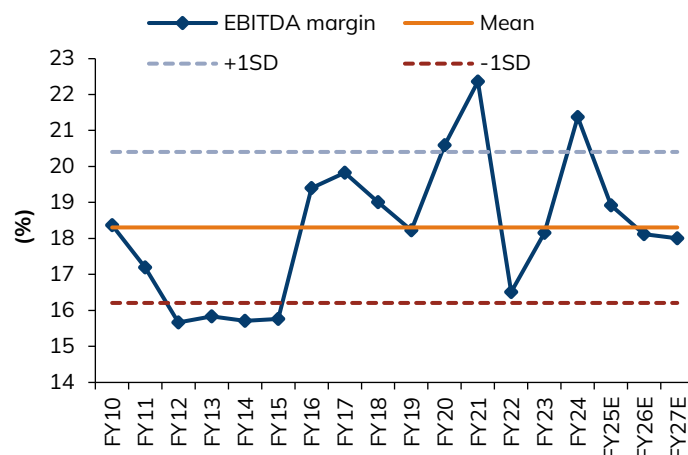
Operational highlights – Annual

Exhibit 11: Revenues and growth rates



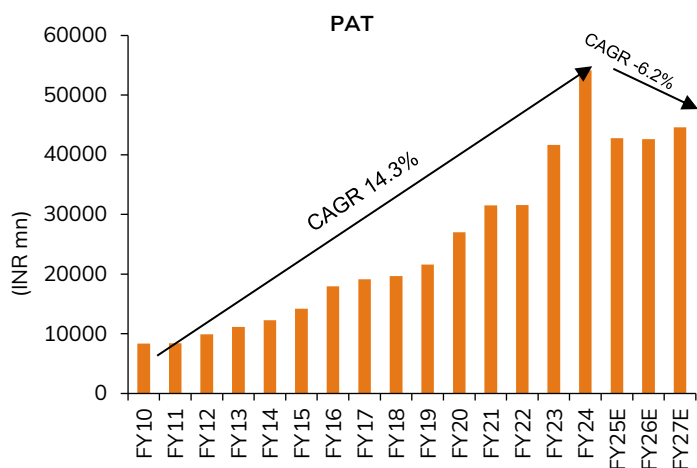
Source: Company data, I-Sec research

Exhibit 12: EBITDA margin



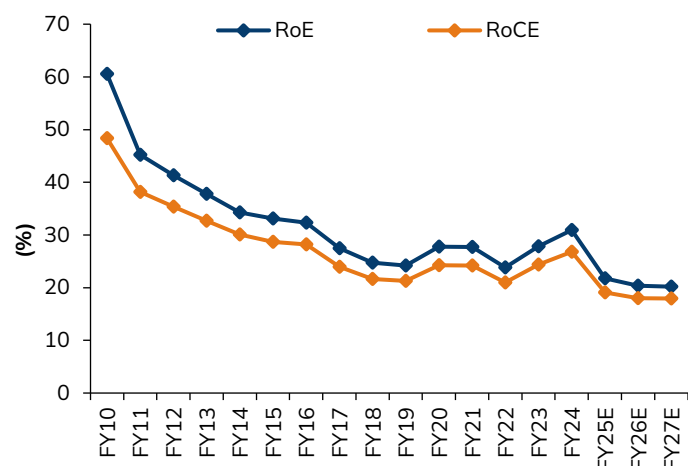
Source: Company data, I-Sec research

Exhibit 13: PAT and growth rates



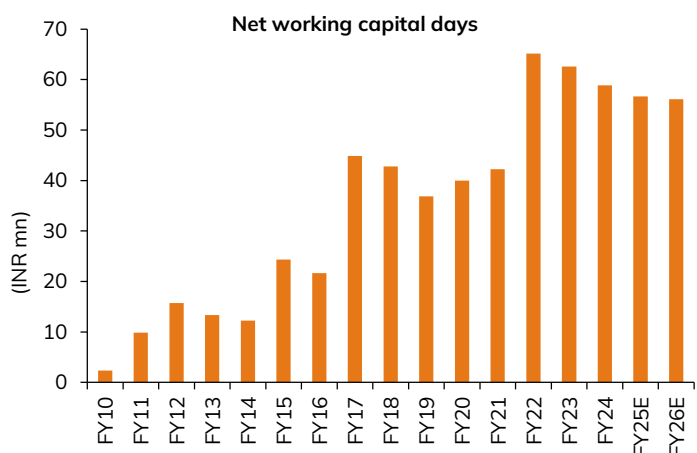
Source: Company data, I-Sec research

Exhibit 14: RoE and RoCE



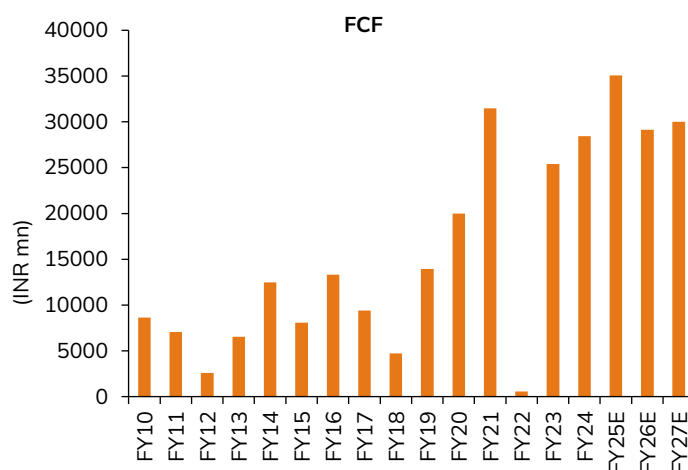
Source: Company data, I-Sec research

Exhibit 15: Net working capital days



Source: Company data, I-Sec research

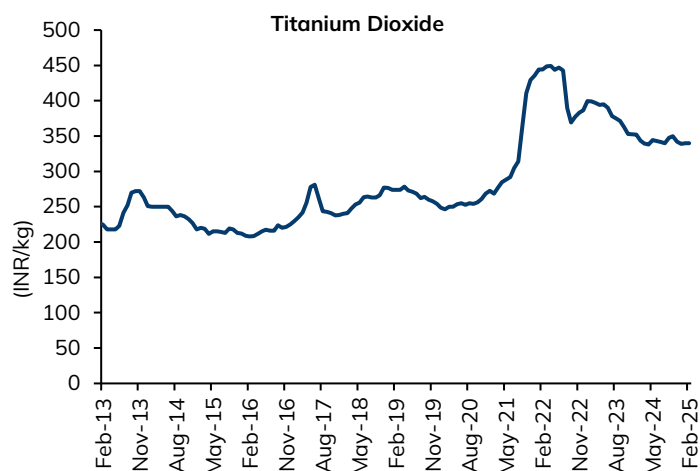
Exhibit 16: Free cash-flow



Source: Company data, I-Sec research

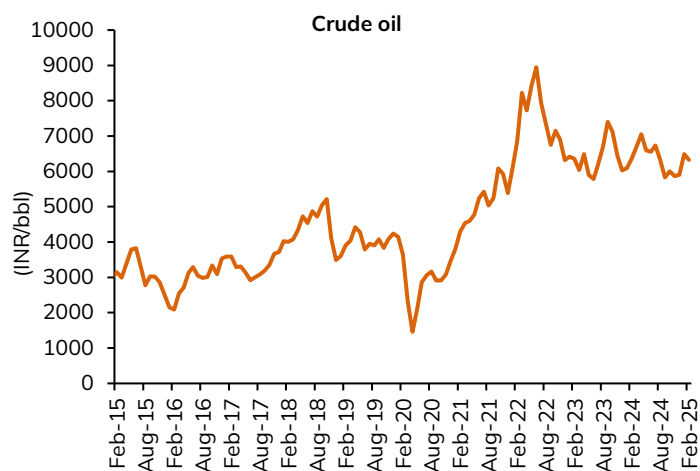
Key raw material prices

Exhibit 17: Titanium di-oxide



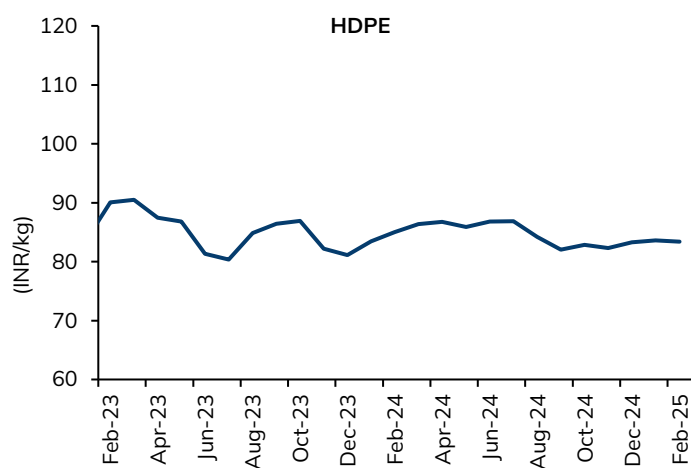
Source: Company data, I-Sec research

Exhibit 18: Crude oil



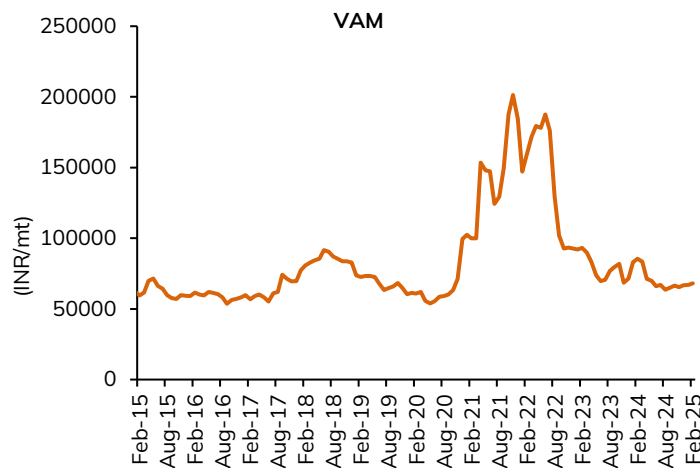
Source: Company data, I-Sec research

Exhibit 19: Packaging material – HDPE



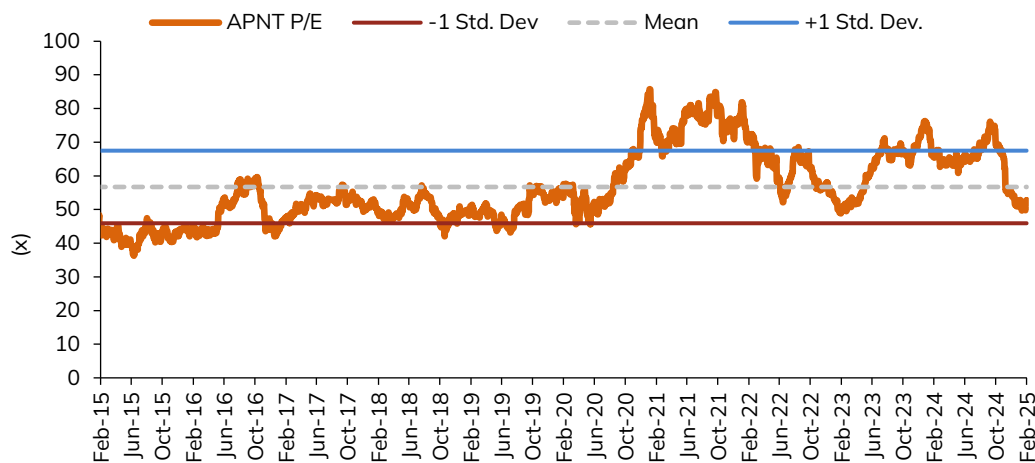
Source: Company data, I-Sec research

Exhibit 20: VAM prices



Source: Company data, I-Sec research

Exhibit 21: Mean P/E and standard deviations



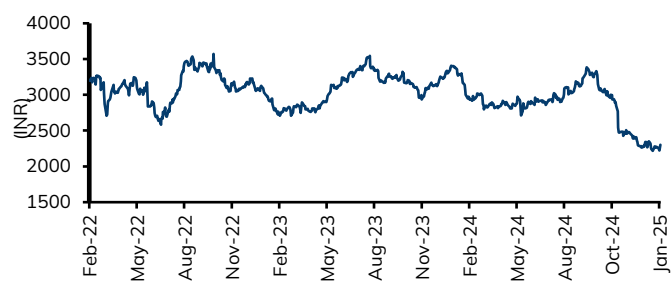
Source: I-Sec research, Bloomberg

Exhibit 22: Shareholding pattern

%	Jun'24	Sep'24	Dec'24
Promoters	52.6	52.6	52.6
Institutional investors	27.6	28.5	27.7
MFs and others	4.5	5.3	5.7
FIs/Banks, Insurance	7.8	7.8	8.3
FIIIs	15.3	15.4	13.7
Others	19.8	18.9	19.7

Source: Bloomberg, I-Sec research

Exhibit 23: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 24: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Net Sales	3,54,947	3,47,554	3,70,794	4,00,668
Operating Expenses	78,195	74,110	78,875	84,811
EBITDA	75,850	65,744	67,199	72,122
EBITDA Margin (%)	21.4	18.9	18.1	18.0
Depreciation & Amortization	8,530	10,995	13,041	15,239
EBIT	67,320	54,749	54,157	56,883
Interest expenditure	2,052	2,430	2,430	2,430
Other Non-operating Income	6,880	4,219	4,585	4,465
Recurring PBT	72,148	56,538	56,313	58,918
Profit / (Loss) from Associates	1,330	1,410	1,494	1,584
Less: Taxes	18,464	14,248	14,191	14,847
PAT	53,684	42,290	42,122	44,071
Less: Minority Interest	873	925	981	1,040
Extraordinaries (Net)	883	-	-	-
Net Income (Reported)	55,024	42,775	42,636	44,615
Net Income (Adjusted)	54,141	42,775	42,636	44,615

Source Company data, I-Sec research

Exhibit 25: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Total Current Assets	1,43,354	1,46,507	1,53,249	1,61,415
of which cash & cash eqv.	10,840	16,753	14,819	11,832
Total Current Liabilities & Provisions	74,482	75,025	80,639	87,309
Net Current Assets	68,872	71,483	72,610	74,106
Investments	57,204	57,204	57,204	57,204
Net Fixed Assets	67,274	78,279	88,709	98,833
ROU Assets	-	-	-	-
Capital Work-in-Progress	26,984	26,984	26,984	26,984
Total Intangible Assets	4,192	4,192	4,192	4,192
Long Term Loans & Advances	-	-	-	-
Deferred Tax assets	-	-	-	-
Total Assets	2,24,526	2,38,141	2,49,698	2,61,317
Liabilities				
Borrowings	27,000	27,000	27,000	27,000
Deferred Tax Liability	3,289	3,289	3,289	3,289
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Equity Share Capital	959	959	959	959
Reserves & Surplus	1,86,324	1,99,939	2,11,497	2,23,116
Total Net Worth	1,87,283	2,00,898	2,12,456	2,24,075
Minority Interest	6,954	6,954	6,954	6,954
Total Liabilities	2,24,526	2,38,141	2,49,698	2,61,317

Source Company data, I-Sec research

Exhibit 26: Quarterly trend

(INR mn, year ending March)

	Mar-24	Jun-24	Sept-24	Dec-24
Net Sales	87,308	89,697	80,275	85,494
% growth (YOY)	(0.6)	(2.3)	(5.3)	(6.1)
EBITDA	16,914	16,938	12,395	16,367
Margin %	19.4	18.9	15.4	19.1
Other Income	1,871	1,562	1,736	1,430
Extraordinaries	(448)	786	(1,092)	(58)
Adjusted Net Profit	12,665	11,713	9,111	11,093

Source Company data, I-Sec research

Exhibit 27: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Operating Cashflow	65,593	57,073	52,615	55,371
Working Capital Changes	1,913	3,303	(3,062)	(4,483)
Capital Commitments	(37,172)	(22,000)	(23,471)	(25,362)
Free Cashflow	28,421	35,073	29,144	30,009
Other investing cashflow	(3,785)	-	-	-
Cashflow from Investing Activities	(40,958)	(22,000)	(23,471)	(25,362)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	6,826	-	-	-
Dividend paid	(27,001)	(29,160)	(31,078)	(32,996)
Others	-	-	-	-
Cash flow from Financing Activities	(20,175)	(29,160)	(31,078)	(32,996)
Chg. in Cash & Bank balance	4,460	5,913	(1,934)	(2,987)
Closing cash & balance	12,899	16,753	14,819	11,832

Source Company data, I-Sec research

Exhibit 28: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	56.4	44.6	44.4	46.5
Adjusted EPS (Diluted)	56.4	44.6	44.4	46.5
Cash EPS	65.3	56.1	58.0	62.4
Dividend per share (DPS)	28.1	30.4	32.4	34.4
Book Value per share (BV)	195.2	209.4	221.5	233.6
Dividend Payout (%)	49.9	68.2	72.9	74.0
Growth (%)				
Net Sales	2.9	(2.1)	6.7	8.1
EBITDA	21.2	(13.3)	2.2	7.3
EPS (INR)	29.9	(21.0)	(0.3)	4.6
Valuation Ratios (x)				
P/E	41.7	52.8	53.0	50.6
P/CEPS	36.0	42.0	40.6	37.7
P/BV	12.1	11.2	10.6	10.1
EV / EBITDA	29.2	33.6	32.9	30.7
P / Sales	6.4	6.5	6.1	5.6
Dividend Yield (%)	1.2	1.3	1.4	1.5
Operating Ratios				
Gross Profit Margins (%)	43.4	40.2	39.4	39.2
EBITDA Margins (%)	21.4	18.9	18.1	18.0
Effective Tax Rate (%)	25.6	25.2	25.2	25.2
Net Profit Margins (%)	15.3	12.3	11.5	11.1
Net Debt / Equity (x)	(0.2)	(0.2)	(0.2)	(0.2)
Net Debt / EBITDA (x)	(0.5)	(0.7)	(0.7)	(0.6)
Fixed Asset Turnover (x)	3.7	3.1	2.8	2.5
Working Capital Days	64	57	59	61
Inventory Turnover Days	62	60	63	63
Receivables Days	51	50	52	52
Payables Days	40	41	44	44
Profitability Ratios				
RoCE (%)	24.7	18.0	16.8	16.9
RoE (%)	31.2	22.0	20.6	20.4
RoIC (%)	36.1	26.1	24.2	23.4

Source Company data, I-Sec research

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