

January 17, 2024

Q3FY24 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	HOLD		ACCUMULATE	
Target Price	3,159		3,466	
Sales (Rs. m)	3,92,875	4,30,336	4,01,084	4,44,118
% Chng.	(2.0)	(3.1)		
EBITDA (Rs. m)	82,941	88,953	84,029	90,220
% Chng.	(1.3)	(1.4)		
EPS (Rs.)	59.9	61.7	60.6	62.6
% Chng.	(1.2)	(1.4)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	3,44,886	3,61,448	3,92,875	4,30,336
EBITDA (Rs. m)	62,598	79,283	82,941	88,953
Margin (%)	18.2	21.9	21.1	20.7
PAT (Rs. m)	41,553	55,237	57,472	59,206
EPS (Rs.)	43.3	57.6	59.9	61.7
Gr. (%)	32.1	32.9	4.0	3.0
DPS (Rs.)	19.9	27.3	33.0	38.0
Yield (%)	0.6	0.8	1.0	1.2
RoE (%)	27.9	31.7	28.5	26.2
RoCE (%)	34.2	38.8	35.6	32.9
EV/Sales (x)	8.9	8.5	7.8	7.1
EV/EBITDA (x)	49.3	38.7	36.9	34.4
PE (x)	74.8	56.3	54.1	52.5
P/BV (x)	19.4	16.5	14.5	13.1

Key Data

ASPN.BO | APNT IN

52-W High / Low	Rs.3,568 / Rs.2,686
Sensex / Nifty	71,501 / 21,572
Market Cap	Rs.3,110bn / \$ (2,14,68,26,273)m
Shares Outstanding	959m
3M Avg. Daily Value	Rs.2727.09m

Shareholding Pattern (%)

Promoter's	52.63
Foreign	17.32
Domestic Institution	10.58
Public & Others	19.47
Promoter Pledge (Rs bn)	6.58

Stock Performance (%)

	1M	6M	12M
Absolute	(2.2)	(6.3)	10.2
Relative	(2.2)	(12.7)	(6.5)

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Asian Paints (APNT IN)

Rating: HOLD | CMP: Rs3,242 | TP: Rs3,159

Peak margins & valuations; Downgrade to Hold

Quick Pointers:

- Decorative volumes up 12%; Rural grew in line with urban markets
- Home décor salience improves, IBD outlook mixed

We cut FY25/26 EPS estimates by 1.2%/1.4% given little scope to improve margins (all time high levels ex of covid year) on expected increase in competitive activity (Grasim's entry) despite sustained double digit volume growth expectations. 3Q volumes are up 12% owing to improved sentiments in festive & wedding season along with significant traction in luxury/economic range. Domestic outlook remains positive across decorative, Auto and industrial segments while IBD has uncertainty due to Geopolitical issues. Home décor is showing noticeable signs of improvement segments while "Beautiful Homes" stores & network continues to scale up.

APNT's structural moat driven by 1) market share gains in decorative paints 2) sustained increase in distribution (addition of 2k retail touch points in 3Q24 to 160k) 3) high growth in waterproofing/wood finishes/ projects business and 4) scalability plans in home décor from 4-5% to 8-10% of sales by FY26 remains intact. We expect stunted growth in medium term given that 1) near peak EBITDA margins 2) likelihood of price cuts (1.3% in 3Q24) 3) 4Q24 entry of Grasim in decorative paints. We believe valuations at 52.5x FY26 EPS don't factor in slowdown in profit growth and increase in competitive intensity fully. We cut DCF based target price to Rs3159 (Rs3466 earlier) and rating to HOLD (Accumulate earlier) and would avoid fresh entry at current prices.

Decorative volume growth of 12%; Consol Revenues grew by 5.4% YoY to Rs91bn (PLe: Rs93.0bn) Decorative volume grew by 12% while Industrial Coatings business registered strong double digit value growth. Gross margins expanded by 504bps YoY to 43.6%. EBITDA grew by 27.6% YoY to Rs20.6bn (PLe:Rs20.3bn) Margins expanded by 393bps YoY to 22.6% (PLe:21.8%) Adj. PAT grew by 34.5% YoY to Rs14.5bn (PLe:Rs14.3bn). Standalone Revenues grew by 5.2% YoY to Rs79.1bn; Gross margins expanded by 548bps YoY to 44.4%; EBITDA margins expanded by 410bps YoY to 24% Adj. PAT grew by 32.9% YoY to Rs14.4bn Imputed Sub Sales grew by 6.7% YoY; EBITDA grew by 36.3% YoY;

Concall Takeaways: 1) 3Q24 had 12% volume growth led by growth in luxury segment & supported by extended festive season 2) Rural Market grew at par with urban markets amid demand recovery in T-3/T-4 cities 3) RM basket saw 0.2% QoQ deflation and near term outlook remains positive with RM prices expected to soften further 4) Economy & Luxury Range Products are growing faster in comparison to Premium Range 5) Projects business doing well on account of construction activity & govt spending 6) Industrial Business witnessed double digit growth led by strong demand from automobile & Infra spends by Govt 7) IBD growth was supported by Middle East wherein Egypt continues to underperform & mixed signs in South Asian markets 8) Target Capex plans of Rs.20bn for FY24 remains intact with capacity expansions through brownfields & backward integration

Exhibit 1: 2QFY24 Results - Consolidated (Rs mn): Revenues grew 5.4%YoY EBITDA margins at 22.6%, Adj. PAT grew 34.3%

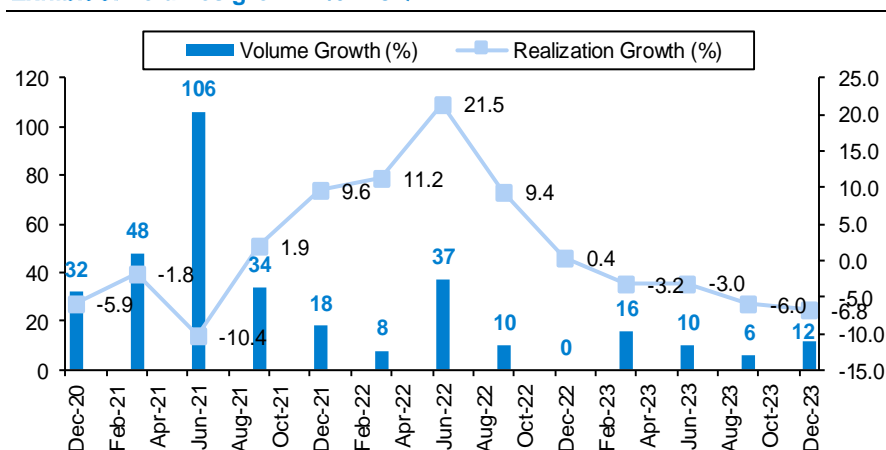
Consolidated	Q3FY24	Q3FY23	YoY gr. (%)	Q2FY24	9MFY24	9MFY23	YoY gr. (%)
Net Sales	91,031	86,367	5.4	84,786	267,640	257,013	4.1
Gross Profit	39,695	33,310	19.2	36,771	115,885	95,980	20.7
% of NS	43.6	38.6	5.0	43.4	43.3	37.3	6.0
Other Expenses	19,134	17,196	11.3	19,609	56,949	52,029	9.5
% of NS	21.0	19.9		23.1	21.3	20.2	
EBITDA	20,561	16,114	27.6	17,162	58,936	43,951	34.1
Margins %	22.6	18.7	3.9	20.2	22.0	17.1	4.9
Depreciation	2,204	2,141	2.9	2,087	6,274	6,379	-1.6
Interest	544	414	31.5	509	1,511	1,055	43.1
Other Income	1,386	866	60.1	1,652	5,009	2,810	78.2
PBT	19,199	14,426	33.1	16,218	56,160	39,327	42.8
Tax	4,926	3,811	29.2	4,186	14,413	10,421	38.3
Tax rate %	25.7	26.4		25.8	25.7	26.5	
Adj. PAT	14,467	10,770	34.3	12,058	42,039	29,006	44.9

Source: Company Data, PL

Exhibit 2: 2QFY24 Results - Standalone (Rs mn): Revenues grew 5.2% YoY, EBITDA margins at 24%, Adj. PAT grew 32.9%

Standalone	Q3FY24	Q3FY23	YoY gr. (%)	Q2FY24	9MFY24	9MFY23	YoY gr. (%)
Net Sales	79,130	75,218	5.2	73,422	233,692	224,524	4.1
Gross Profit	35,136	29,276	20.0	32,386	102,879	84,544	21.7
% of NS	44.4	38.9	5.5	44.1	44.0	37.7	6.4
Other Expenses	16,165	14,328	12.8	16,539	48,064	43,815	9.7
% of NS	20.4	19.0		22.5	20.6	19.5	
EBITDA	18,971	14,948	26.9	15,847	54,816	40,729	34.6
Margins %	24.0	19.9	4.10	21.6	23.5	18.1	5.3
Depreciation	1,900	1,891	0.5	1,789	5,410	5,622	-3.8
Interest	310	247	25.3	275	848	682	24.5
Other Income	2,381	1,621	46.9	1,723	6,271	3,930	59.6
PBT	19,142	14,430	32.7	15,506	54,830	38,356	42.9
Tax	4,707	3,571	31.8	3,904	13,708	9,691	41.4
Tax rate %	24.6	24.7		25.2	25.0	25.3	
Adj. PAT	14,435	10,859	32.9	11,602	41,122	28,665	43.5

Source: Company Data, PL

Exhibit 3: Volumes grow 12% in 3Q24


Source: Company, PL

Exhibit 4: IBD – Africa & Middle East lead growth & profitability, Asia suffers due to Nepal

(Rs mn)	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Revenue	7760	8290	7100	8160	7860	8030	7170	7900	7870
Africa	1250	1580	1510	1750	1830	1750	1590	1820	2010
Middle East	2050	1970	2030	2210	2400	2460	2490	2460	2520
Asia	4050	4420	3300	3800	3230	3490	2750	3180	2890
South Pacific	410	320	260	400	400	330	340	440	450
YoY Growth	9.1%	12.2%	15.1%	15.4%	1.3%	-3.1%	1.0%	-3.2%	0.1%
Africa	-19.0%	1.0%	7.9%	26.8%	46.4%	10.8%	5.3%	4.0%	9.8%
Middle East	10.0%	8.0%	9.7%	28.5%	17.1%	24.9%	22.7%	11.3%	5.0%
Asia	18.0%	18.0%	24.1%	3.8%	-20.2%	-21.0%	-16.7%	-16.3%	-10.5%
South Pacific	32.0%	10.0%	0.0%	29.0%	-2.4%	3.1%	30.8%	10.0%	12.5%
PBT	190	230	420	500	500	540	420	540	710
Africa	-160	-30	80	30	100	90	160	240	310
Middle East	20	-170	10	-20	110	170	140	70	280
Asia	220	370	300	420	220	240	60	130	20
South Pacific	110	60	30	70	70	40	60	100	100
PBT Margins	2%	3%	6%	6%	6%	7%	6%	7%	9%
Africa	-13%	-2%	5%	2%	5%	5%	10%	13%	15%
Middle East	1%	-9%	0%	-1%	5%	7%	6%	3%	11%
Asia	5%	8%	9%	11%	7%	7%	2%	4%	1%
South Pacific	27%	19%	12%	18%	18%	12%	18%	23%	22%
YoY Growth									
Africa	-77%	-45%	-2200%	-600%	163%	135%	-1.0%	11.6%	41.8%
Middle East	-214%	-133%	-189%	-119%	-163%	400%	89.9%	669.2%	182.2%
Asia	-88%	-289%	-200%	-82%	450%	200%	1041.4%	-414.4%	142.4%
South Pacific	-48%	131%	1400%	320%	0%	-35%	-76.0%	-63.0%	-89.8%

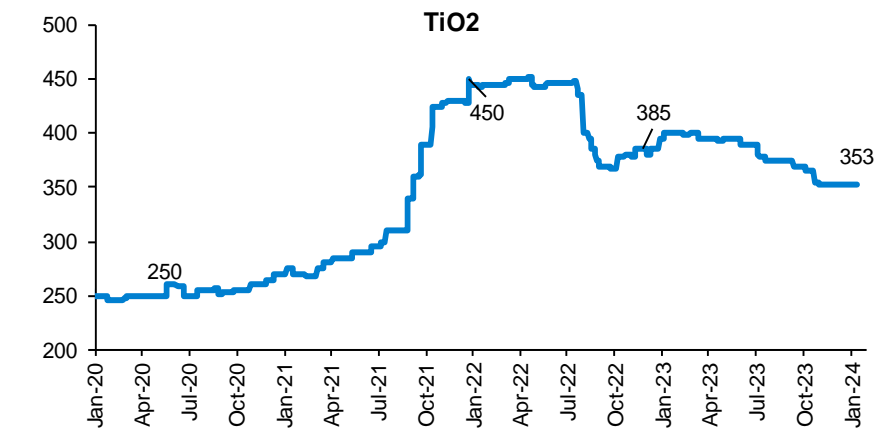
Source: Company Data, PL

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

(Rs mn)	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Revenue	8400	8800	8850	9140	9660	9120	9470	9240	10490
PPG-AP	4150	3960	4160	4690	5130	4280	4720	4950	5760
AP-PPG	2110	2470	2420	2250	2620	2900	2940	2510	2880
Kitchen Business	1110	1280	1090	1180	1010	980	960	970	1000
Bath Business	1030	1090	1180	1020	900	960	850	810	850
YoY Growth	18.9%	23.2%	66.4%	21.1%	15.0%	3.6%	7.0%	1.1%	8.6%
PPG-AP	5.0%	19.0%	63.1%	24.4%	23.6%	8.1%	13.5%	5.5%	12.3%
AP-PPG	33.0%	28.0%	56.1%	25.0%	24.2%	17.4%	21.5%	11.6%	9.9%
Kitchen Business	37.0%	34.0%	65.2%	12.4%	-9.0%	-23.4%	-11.9%	-17.8%	-1.0%
Bath Business	42.0%	17.0%	110.7%	9.7%	-12.6%	-11.9%	-28.0%	-20.6%	-5.6%
PBT	530	450	410	670	1100	780	1190	869	1540
PPG-AP	400	250	320	570	910	560	820	770	1280
AP-PPG	120	210	120	140	260	330	390	159	330
Kitchen Business	0	-20	-70	-40	-60	-110	-20	-30	0
Bath Business	10	10	40	0	-10	0	0	-30	-70
PBT Margins	6%	5%	5%	7%	11%	9%	13%	9%	15%
PPG-AP	10%	6%	8%	12%	18%	13%	17%	16%	22%
AP-PPG	6%	9%	5%	6%	10%	11%	13%	6%	11%
Kitchen Business	0%	-2%	-6%	-3%	-6%	-11%	-2%	-3%	0%
Bath Business	1%	1%	3%	0%	-1%	0%	0%	-4%	-8%

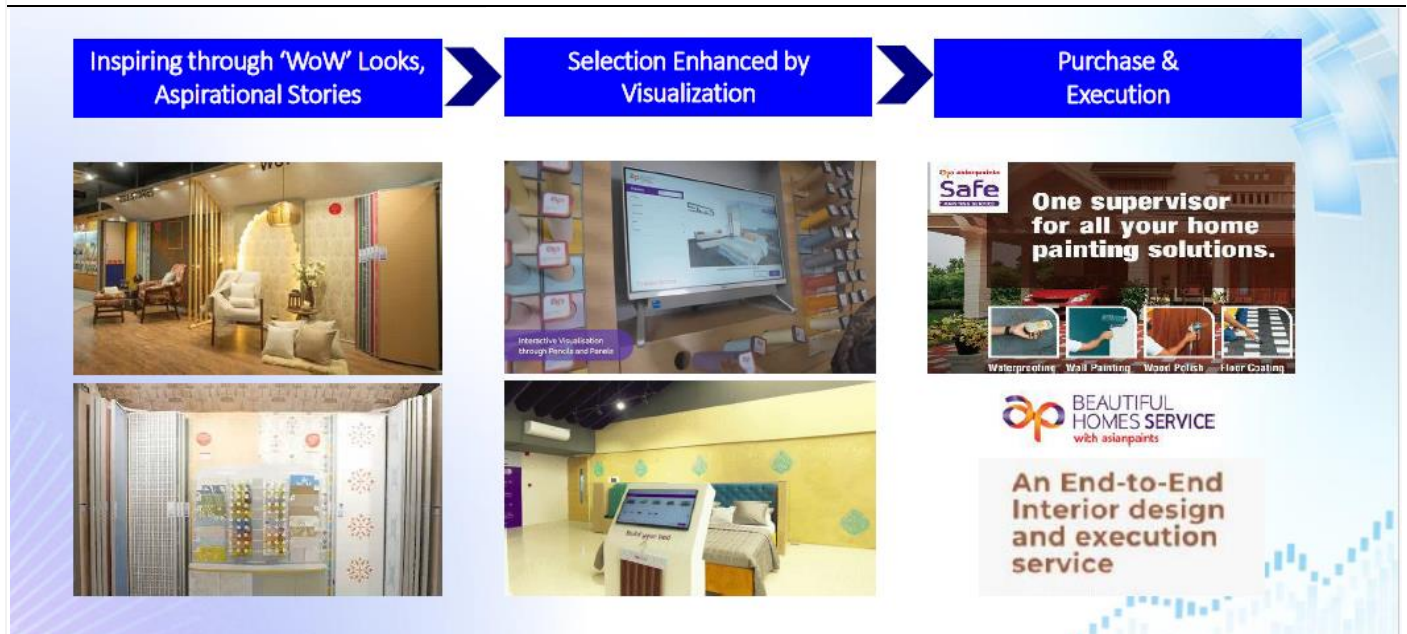
Source: Company Data, PL

Exhibit 6: Tio2 prices down 7% YoY & 5% QoQ



Source: Company, PL

Exhibit 7: Partnering to deliver Beautiful Homes through 1st of its kind Customer Experience



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	3,44,886	3,61,448	3,92,875	4,30,336
YoY gr. (%)	18.5	4.8	8.7	9.5
Cost of Goods Sold	2,11,565	2,05,051	2,26,707	2,50,009
Gross Profit	1,33,321	1,56,397	1,66,169	1,80,327
Margin (%)	38.7	43.3	42.3	41.9
Employee Cost	20,281	22,964	24,463	26,616
Other Expenses	50,442	54,151	58,764	64,758
EBITDA	62,598	79,283	82,941	88,953
YoY gr. (%)	30.3	26.7	4.6	7.2
Margin (%)	18.2	21.9	21.1	20.7
Depreciation and Amortization	8,580	8,964	9,725	13,047
EBIT	54,018	70,319	73,216	75,906
Margin (%)	15.7	19.5	18.6	17.6
Net Interest	1,445	1,923	1,956	2,086
Other Income	3,865	6,135	6,242	6,359
Profit Before Tax	56,439	74,531	77,502	80,180
Margin (%)	16.4	20.6	19.7	18.6
Total Tax	14,935	19,751	20,538	21,248
Effective tax rate (%)	26.5	26.5	26.5	26.5
Profit after tax	41,504	54,780	56,964	58,932
Minority interest	889	1,363	1,279	1,497
Share Profit from Associate	939	1,820	1,786	1,770
Adjusted PAT	41,553	55,237	57,472	59,206
YoY gr. (%)	32.1	32.9	4.0	3.0
Margin (%)	12.0	15.3	14.6	13.8
Extra Ord. Income / (Exp)	489	-	-	-
Reported PAT	42,042	55,237	57,472	59,206
YoY gr. (%)	28.9	31.4	4.0	3.0
Margin (%)	12.2	15.3	14.6	13.8
Other Comprehensive Income	130	-	-	-
Total Comprehensive Income	42,172	55,237	57,472	59,206
Equity Shares O/s (m)	959	959	959	959
EPS (Rs)	43.3	57.6	59.9	61.7

Source: Company Data, PL

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	92,366	97,566	1,02,766	1,85,966
Tangibles	88,491	93,491	98,491	1,81,491
Intangibles	3,875	4,075	4,275	4,475
Acc: Dep / Amortization	49,036	55,157	61,614	70,901
Tangibles	47,034	52,858	59,001	67,961
Intangibles	2,001	2,299	2,612	2,941
Net fixed assets	43,331	42,409	41,152	1,15,065
Tangibles	41,457	40,633	39,490	1,13,530
Intangibles	1,874	1,776	1,663	1,535
Capital Work In Progress	10,196	32,196	59,196	3,000
Goodwill	2,285	2,285	2,285	2,285
Non-Current Investments	19,279	20,345	21,617	23,049
Net Deferred tax assets	(3,162)	(3,143)	(3,122)	(3,100)
Other Non-Current Assets	17,352	18,763	17,897	18,164
Current Assets				
Investments	26,970	39,523	39,620	43,066
Inventories	62,106	62,530	66,199	70,575
Trade receivables	46,369	39,611	40,364	44,213
Cash & Bank Balance	8,438	9,547	12,854	13,168
Other Current Assets	5,540	5,783	6,286	6,885
Total Assets	2,57,980	2,90,273	3,26,409	3,60,268
Equity				
Equity Share Capital	959	959	959	959
Other Equity	1,58,963	1,88,062	2,13,880	2,36,636
Total Network	1,59,922	1,89,021	2,14,839	2,37,596
Non-Current Liabilities				
Long Term borrowings	762	100	100	100
Provisions	2,307	2,726	2,954	3,162
Other non current liabilities	392	392	392	392
Current Liabilities				
ST Debt / Current of LT Debt	8,961	3,799	4,023	4,274
Trade payables	36,354	42,134	46,584	51,372
Other current liabilities	33,644	34,340	37,321	40,575
Total Equity & Liabilities	2,57,980	2,90,273	3,26,409	3,60,268

Source: Company Data, PL



Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	56,438	74,531	77,502	80,180
Add. Depreciation	8,580	8,964	9,725	13,047
Add. Interest	1,445	1,923	1,956	2,086
Less Financial Other Income	3,865	6,135	6,242	6,359
Add. Other	(701)	-	-	-
Op. profit before WC changes	65,762	85,418	89,183	95,312
Net Changes-WC	(17,929)	75	2,433	(5,537)
Direct tax	(14,935)	(19,751)	(20,538)	(21,248)
Net cash from Op. activities	32,898	65,742	71,079	68,527
Capital expenditures	(17,026)	(30,731)	(36,260)	(31,674)
Interest / Dividend Income	-	-	-	-
Others	(4,040)	941	824	717
Net Cash from Invt. activities	(21,066)	(29,790)	(35,437)	(30,956)
Issue of share cap. / premium	61	(1,363)	(1,279)	(1,497)
Debt changes	7,900	(5,740)	2,200	2,387
Dividend paid	(19,089)	(26,138)	(31,654)	(36,450)
Interest paid	(1,445)	(1,923)	(1,956)	(2,086)
Others	(245)	-	-	-
Net cash from Fin. activities	(12,818)	(35,163)	(32,688)	(37,645)
Net change in cash	(986)	788	2,954	(74)
Free Cash Flow	15,872	35,011	34,818	36,853

Source: Company Data, PL

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	43.3	57.6	59.9	61.7
CEPS	52.3	66.9	70.1	75.3
BVPS	166.7	197.1	224.0	247.7
FCF	16.5	36.5	36.3	38.4
DPS	19.9	27.3	33.0	38.0
Return Ratio(%)				
RoCE	34.2	38.8	35.6	32.9
ROIC	32.5	39.1	35.1	32.0
RoE	27.9	31.7	28.5	26.2
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.2)	(0.2)
Net Working Capital (Days)	76	61	56	54
Valuation(x)				
PER	74.8	56.3	54.1	52.5
P/B	19.4	16.5	14.5	13.1
P/CEPS	62.0	48.4	46.3	43.0
EV/EBITDA	49.3	38.7	36.9	34.4
EV/Sales	8.9	8.5	7.8	7.1
Dividend Yield (%)	0.6	0.8	1.0	1.2

Source: Company Data, PL

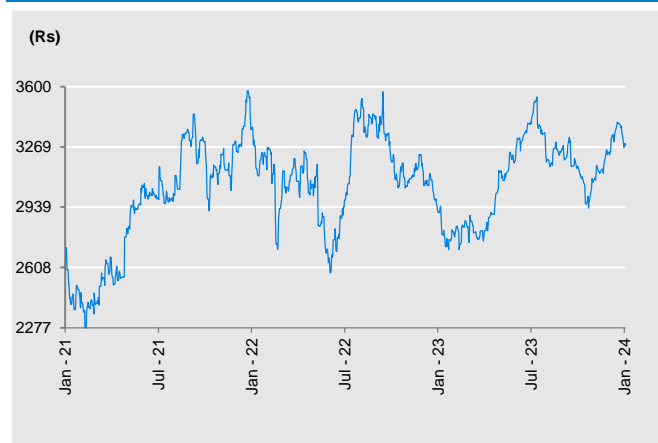
Quarterly Financials (Rs m)

Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Net Revenue	87,873	91,823	84,786	91,031
YoY gr. (%)	11.3	6.7	0.2	5.4
Raw Material Expenses	50,532	52,404	48,015	51,336
Gross Profit	37,341	39,419	36,771	39,695
Margin (%)	42.5	42.9	43.4	43.6
EBITDA	18,648	21,213	17,162	20,561
YoY gr. (%)	29.2	36.3	39.8	27.6
Margin (%)	21.2	23.1	20.2	22.6
Depreciation / Depletion	2,202	1,983	2,087	2,204
EBIT	16,446	19,230	15,075	18,357
Margin (%)	18.7	20.9	17.8	20.2
Net Interest	389	458	509	544
Other Income	1,055	1,971	1,652	1,386
Profit before Tax	17,112	20,743	16,218	19,199
Margin (%)	19.5	22.6	19.1	21.1
Total Tax	4,514	5,301	4,186	4,926
Effective tax rate (%)	26.4	25.6	25.8	25.7
Profit after Tax	12,597	15,442	12,032	14,273
Minority interest	-	234	266	285
Share Profit from Associates	234	307	291	479
Adjusted PAT	12,831	15,514	12,058	14,467
YoY gr. (%)	29.6	46.3	50.0	31.9
Margin (%)	14.6	16.9	14.2	15.9
Extra Ord. Income / (Exp)	(247)	-	-	-
Reported PAT	12,584	15,514	12,058	14,467
YoY gr. (%)	44.0	49.7	50.0	31.9
Margin (%)	14.3	16.9	14.2	15.9
Other Comprehensive Income	180	606	(6)	168
Total Comprehensive Income	12,764	16,120	12,051	14,635
Avg. Shares O/s (m)	959	959	959	959
EPS (Rs)	13.4	16.2	12.6	15.1

Source: Company Data, PL

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-24	Accumulate	3,466	3,298
2	26-Oct-23	Accumulate	3,387	2,960
3	07-Oct-23	Accumulate	3,571	3,196
4	26-Jul-23	Hold	3,527	3,400
5	06-Jul-23	Accumulate	3,360	3,399
6	11-May-23	Accumulate	3,360	3,140
7	11-Apr-23	Accumulate	3,150	2,776
8	19-Jan-23	Accumulate	3,150	2,866

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	3,466	3,298
2	Avenue Supermarts	BUY	4,484	3,841
3	Britannia Industries	Hold	5,130	5,177
4	Colgate Palmolive	Reduce	2,140	2,501
5	Dabur India	Accumulate	617	553
6	Emami	Accumulate	565	555
7	Hindustan Unilever	Hold	2,786	2,578
8	ITC	Accumulate	487	466
9	Jubilant FoodWorks	Hold	526	534
10	Kansai Nerolac Paints	Accumulate	346	337
11	Marico	Hold	556	524
12	Metro Brands	Accumulate	1,231	1,208
13	Mold-tek Packaging	Hold	918	876
14	Nestle India	Accumulate	2,679	2,619
15	Pidilite Industries	Hold	2,704	2,720
16	Restaurant Brands Asia	Accumulate	145	116
17	Titan Company	Accumulate	3,640	3,706
18	Westlife Foodworld	Hold	839	828

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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