

CMP - **2815**

52Wk L/H 2,706 **2815** 3,568

About the Company

Standing out as a beacon of hope despite import restrictions, Asian Paints has maintained its position as the leading player in the market for over fifty years! Renowned for its innovative products, this esteemed brand has consistently stayed ahead of its competitors. With an extensive logistics network and a wealth of data, it currently commands a 60% share in the Indian Paints industry. The company engages in manufacturing, trading, and selling a wide array of paints, coatings, wallcoverings, adhesives, tools, and home décor items such as rugs, furnishings, furniture, bath fittings, and sanitaryware. Additionally, it offers various services including end-to-end design-to-execution services, safe painting solutions, and interior designing, among others.

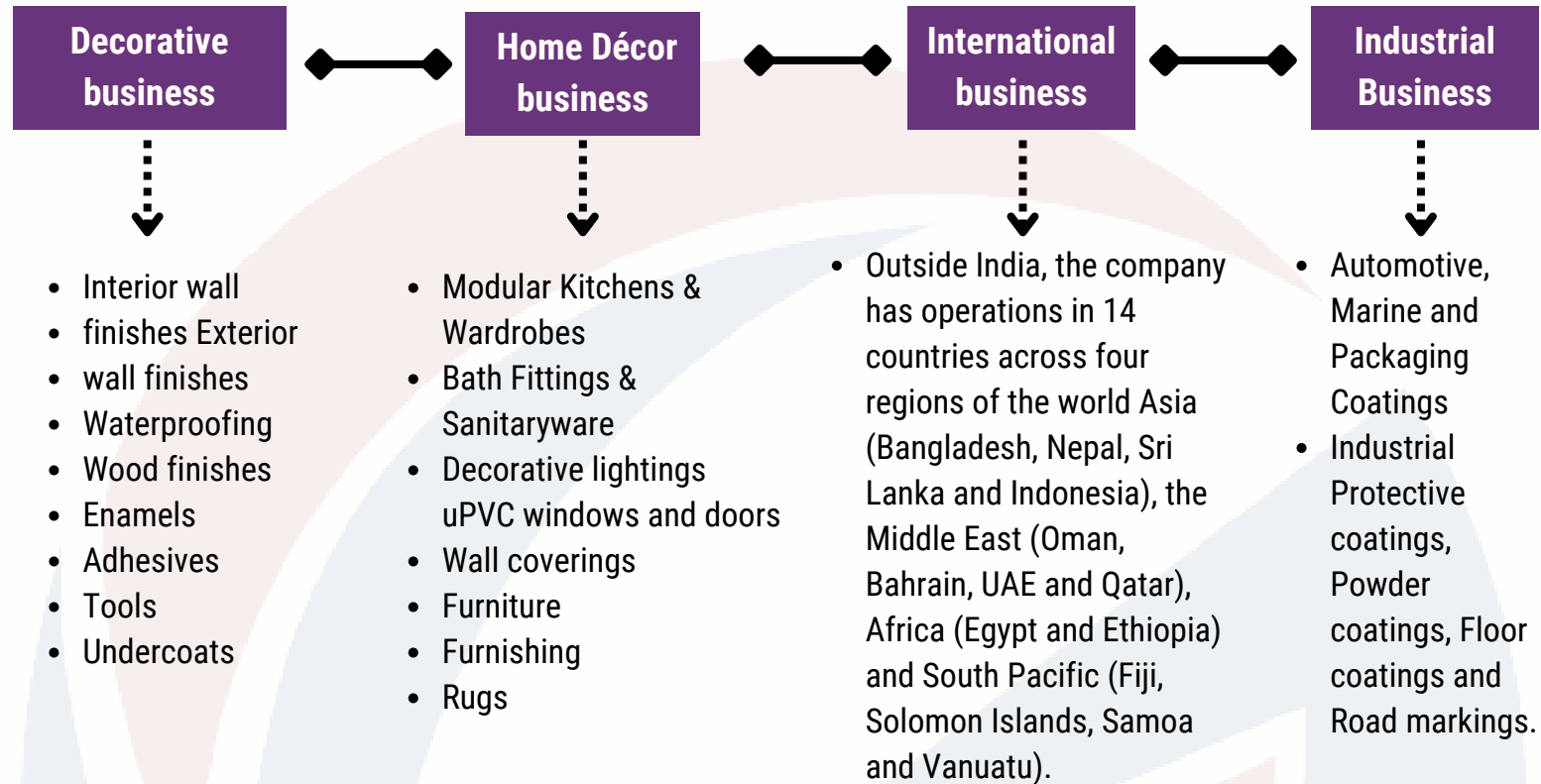
Recent Quarter Highlights

- Total sales went up by 5.4% to Rs. 9,074.9 crores in Q3FY24.
- The profit before depreciation, interest, and taxes (PBDIT) rose by 27.6% to Rs. 2,056.1 crores from Rs. 1,611.4 crores.
- The PBDIT margin improved to 22.7% from 18.7% compared to the same period last year.
- Net profit increased by 35.0% to Rs. 1,447.7 crores.
- International business sales remained steady in Q3 FY'24, though there were challenges due to economic conditions in key markets.
- Sales in the bath fittings business decreased by 5.0% due to weak industry demand.
- Kitchen business sales remained stable after four quarters of decline.
- White Teak sales increased by 18.3% and Weatherseal sales more than doubled.
- APPPG sales increased by 10.1% and PPGAP sales by 12.3% in Q3 FY'24.
- Expansion projects at Khandala and Kasna have been completed, increasing production capacity.

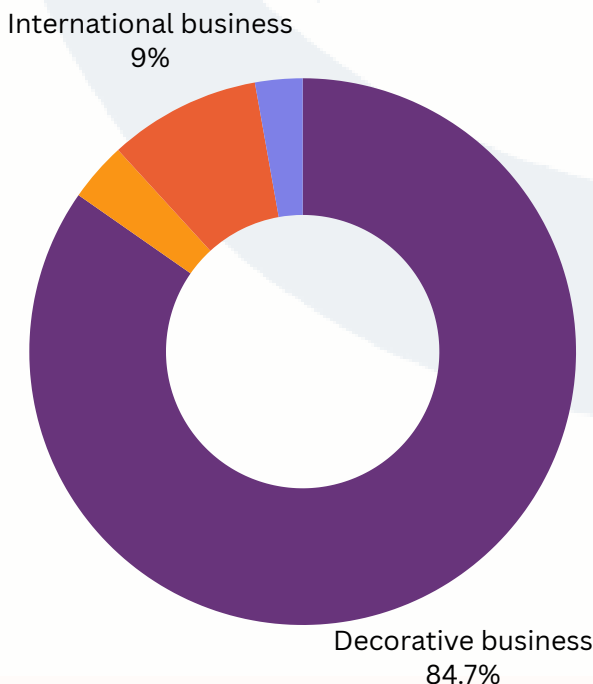
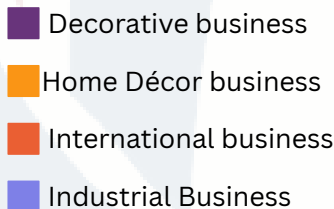
Management Commentary

- As per their management remarks by Amit Syngle, Managing Director & CEO "In the last quarter, both our Decorative and Industrial coatings sectors experienced a combined growth of 6.1%, driven by strong double-digit growth in Industrial coatings. Within the Decorative Business, Luxury and Economy segments performed well, achieving a robust 12% increase in volume and 5.5% in value. Although demand eased towards the end of the quarter, an extended festive season supported growth. Our Auto OE and General Industrial coating businesses also saw solid revenue growth and healthy profit margins. Internationally, we experienced growth in the Middle East and Africa, despite challenges from economic conditions and inflation in South Asia and Egypt. Home Décor showed improvement, particularly with new categories gaining traction and integration efforts in our Beautiful Homes stores. Margins benefited from growth in luxury products and lower raw material prices, along with operational efficiencies. Looking ahead, we remain focused on driving sales growth and investing in customer-focused initiatives to strengthen our market leadership."

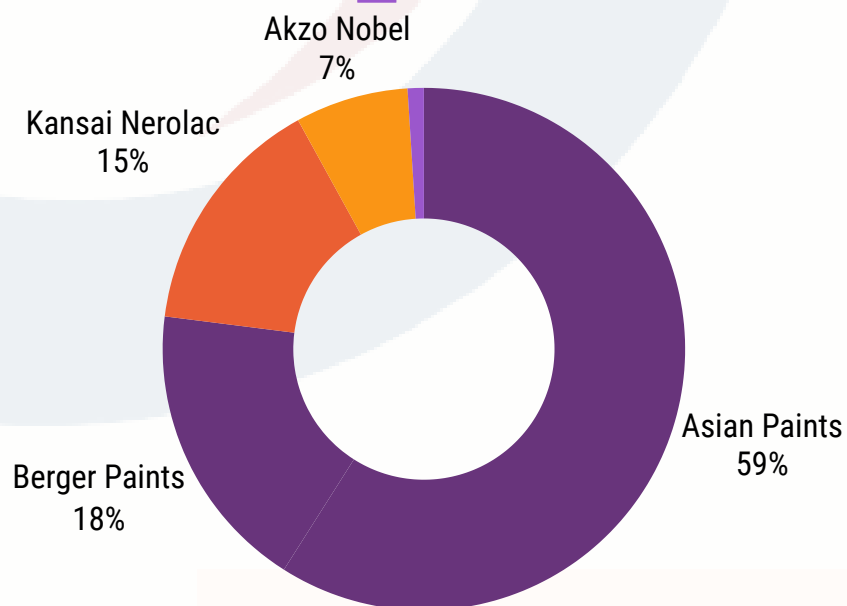
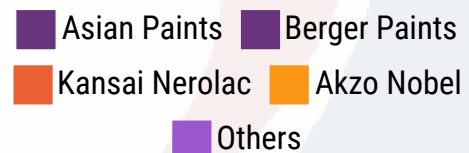
ASIAN PAINTS (BUSINESS MODEL)



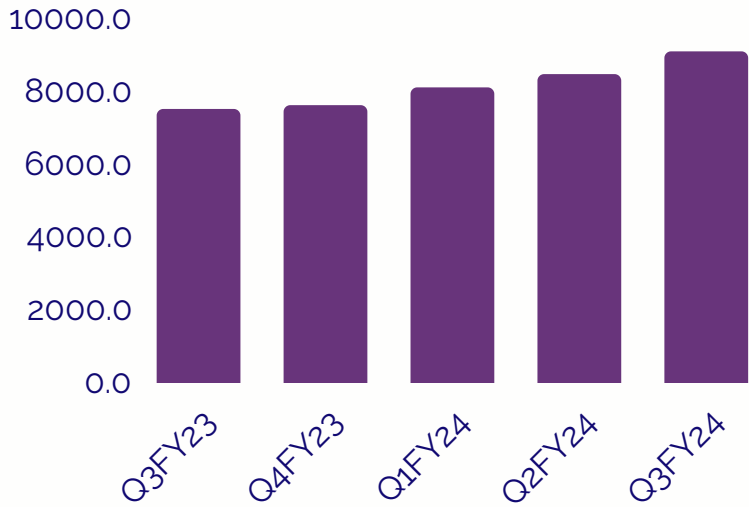
SEGMENT-WISE REVENUE



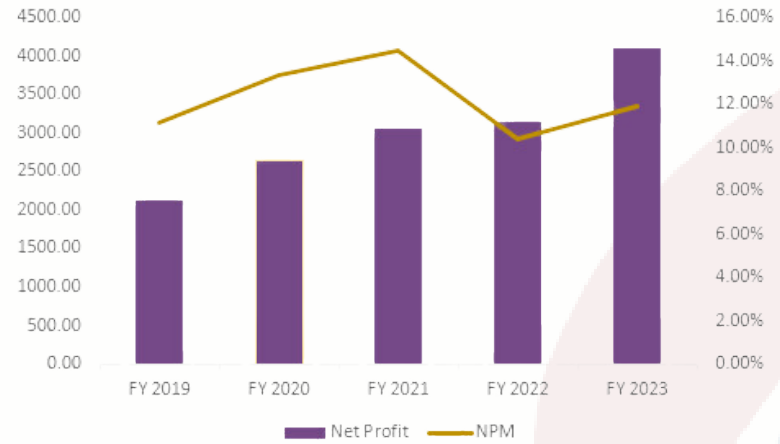
PAINT INDUSTRY MARKET SHARE (%)



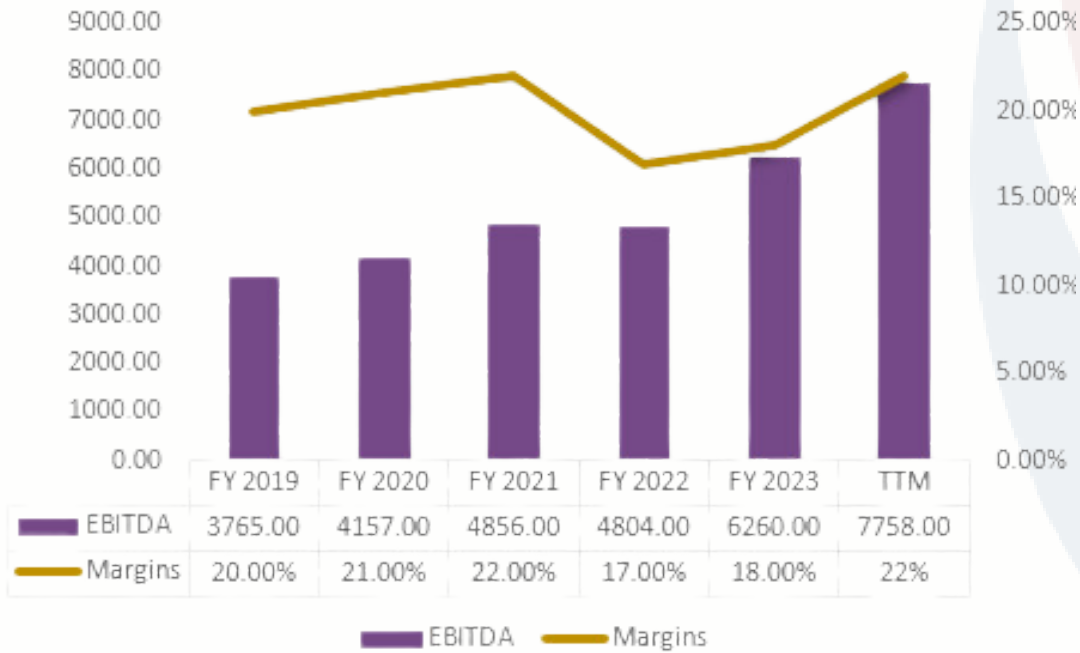
REVENUE FROM OPERATIONS



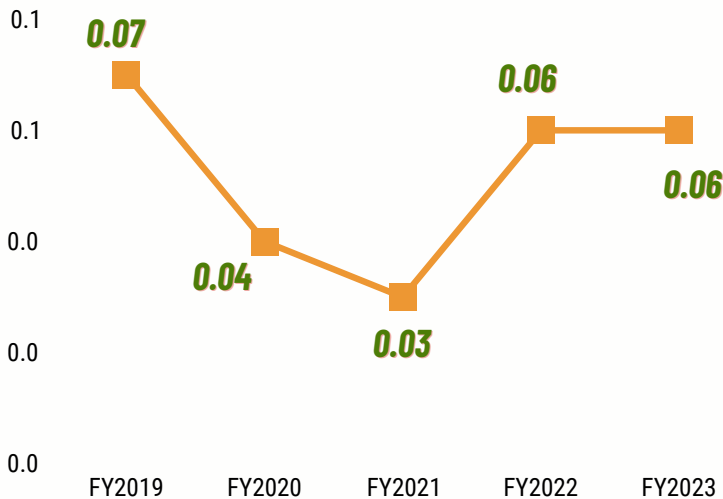
NET PROFIT & NPM



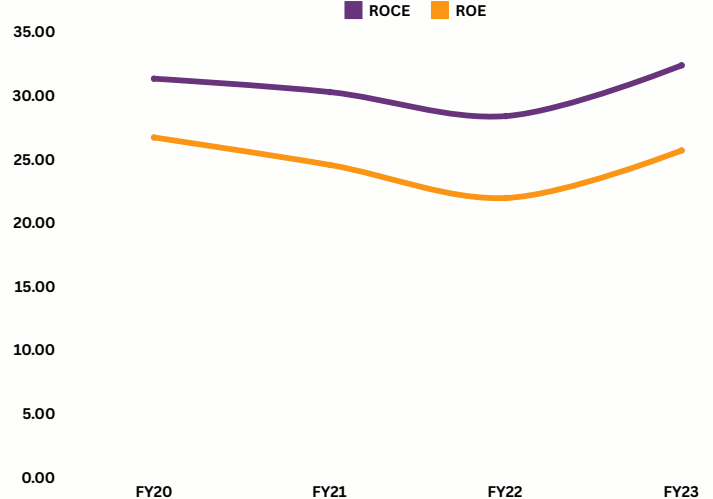
EBITDA & MARGINS



DEBT TO EQUITY



ROCE VS ROE (%)



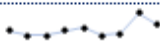
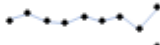
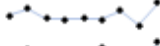
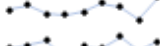

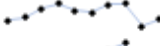







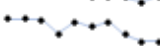

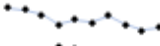


Historical Financial Statement - ASIAN PAINTS LTD

Years	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	LTM	Mar-24
Income Statement							
Sales	₹ 19,240.1	₹ 20,211.3	₹ 21,712.8	₹ 29,101.3	₹ 34,488.6	₹ 35,551.3	₹ 38,395.41
Sales Growth	14.36%	5.05%	7.43%	34.03%	18.51%	3.08%	11.33%
COGS	₹ 12,905.8	₹ 13,158.0	₹ 14,035.1	₹ 20,590.6	₹ 23,766.7	₹ 27,792.9	22719.49126
COGS % Sales	67.08%	65.10%	64.64%	70.75%	68.91%	16.94%	-4.41%
Gross Profit	₹ 6,334.32	₹ 7,053.23	₹ 7,677.72	₹ 8,510.71	₹ 10,721.89	₹ 7,758.37	₹ 15,675.92
Gross Margins	32.92%	34.90%	35.36%	29.25%	31.09%	21.82%	40.83%
Selling & General Expenses	₹ 2,569.38	₹ 2,896.41	₹ 2,822.12	₹ 3,707.10	₹ 4,462.05	₹ 3,291.41	4210.258073
S&G Exp % Sales	13.35%	14.33%	13.00%	12.74%	12.94%	9.26%	10.97%
EBITDA	₹ 3,764.94	₹ 4,156.82	₹ 4,855.60	₹ 4,803.61	₹ 6,259.84	₹ 8,367.92	₹ 6,423.26
EBITDA Margins	19.57%	20.57%	22.36%	16.51%	18.15%	23.54%	16.73%
Interest	₹ 110.47	₹ 102.33	₹ 91.63	₹ 95.41	₹ 144.45	₹ 189.98	₹ 189.98
Interest % Sales	0.57%	0.51%	0.42%	0.33%	0.42%	0.53%	0.49%
Depreciation	₹ 622.14	₹ 780.50	₹ 791.27	₹ 816.36	₹ 858.02	₹ 847.56	₹ 847.56
Depreciation%Sales	3.23%	3.86%	3.64%	2.81%	2.49%	2.38%	2.21%
Earnings Before Tax	₹ 3,032.33	₹ 3,274.0	₹ 3,972.7	₹ 3,891.8	₹ 5,257.4	₹ 7,330.4	₹ 5,385.7
EBT % Sales	15.76%	16.20%	18.30%	13.37%	15.24%	20.62%	14.03%
Tax	₹ 1,000.1	₹ 554.9	₹ 1,007.6	₹ 1,107.9	₹ 1,400.5	₹ 1,892.7	₹ 1,892.7
Effective Tax Rate		16.95%	25.36%	28.46%	26.73%	25.82%	35.14%
Net Profit		₹ 2,469.5	₹ 3,038.2	₹ 3,683.4	₹ 986.5	₹ 4,193.4	₹ 5,437.7
Net Margins		12.21%	13.99%	16.93%	3.39%	11.98%	14.19%
Cash from Investing Activities		(₹ 917.8)	(₹ 517.9)	(₹ 540.5)	(₹ 316.8)	(₹ 1,282.3)	₹ 3,493.0
Cash from Financing Activities		(₹ 1,117.5)	(₹ 2,871.5)	(₹ 650.4)	(₹ 1,807.6)	(₹ 2,140.1)	
No of Equity Shares						95.92	95.92
Net Cash Flow		₹ 434.3	(₹ 351.2)	₹ 2,492.4	(₹ 1,137.9)	₹ 771.0	
Earnings per Share	₹ 20.17	₹ 25.22	₹ 29.97	₹ 29.08	₹ 39.24	₹ 56.69	₹ 61.22
EPS Growth %	9.83%	25.07%	18.85%	-3.00%	34.96%	44.47%	8.00%
Dividend per Share	₹ 10.5	₹ 12.0	₹ 17.8	₹ 19.2	₹ 25.7	-	-
Dividend payout ratio	52.07%	47.58%	59.55%	65.86%	65.37%	0.00%	0.00%
Retained Earnings	47.93%	52.42%	40.45%	34.14%	34.63%	100.00%	100.00%

Years	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Cash Flow Statement					
Cash from Operating Activities	₹ 2,469.5	₹ 3,038.2	₹ 3,683.4	₹ 986.5	₹ 4,193.4
Cash from Investing Activities	(₹ 917.8)	(₹ 517.9)	(₹ 540.5)	(₹ 316.8)	(₹ 1,282.3)
Cash from Financing Activities	(₹ 1,117.5)	(₹ 2,871.5)	(₹ 650.4)	(₹ 1,807.6)	(₹ 2,140.1)
Net Cash Flow	₹ 434.3	(₹ 351.2)	₹ 2,492.4	(₹ 1,137.9)	₹ 771.0

Years	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Balance Sheet					
Equity Share Capital	₹ 95.9	₹ 95.9	₹ 95.9	₹ 95.9	₹ 95.9
Reserves	₹ 9,374.6	₹ 10,034.2	₹ 12,710.4	₹ 13,715.6	₹ 15,896.3
Borrowings	₹ 1,319.6	₹ 1,118.5	₹ 1,093.1	₹ 1,586.9	₹ 1,932.6
Other Liabilities	₹ 5,458.7	₹ 4,889.3	₹ 6,455.9	₹ 7,560.0	₹ 7,854.5
Total Liabilities	₹ 16,248.8	₹ 16,138.0	₹ 20,355.3	₹ 22,958.4	₹ 25,779.3
Fixed Assets Net Block	₹ 6,496.6	₹ 6,272.3	₹ 5,858.5	₹ 5,519.1	₹ 5,770.5
Capital Work in Progress	₹ 209.7	₹ 140.2	₹ 183.0	₹ 426.4	₹ 1,019.6
Investments	₹ 2,568.6	₹ 2,018.9	₹ 4,736.8	₹ 3,247.5	₹ 4,261.7
Other Assets	₹ 1,472.0	₹ 1,738.7	₹ 2,565.5	₹ 2,876.7	₹ 3,036.2
Total Non Current Assets	₹ 10,746.8	₹ 10,170.1	₹ 13,343.8	₹ 12,069.7	₹ 14,087.9
Receivables	₹ 1,907.3	₹ 1,795.2	₹ 2,602.2	₹ 3,871.4	₹ 4,636.9
Inventory	₹ 3,149.9	₹ 3,389.8	₹ 3,798.6	₹ 6,153.0	₹ 6,210.6
Cash & Bank	₹ 444.9	₹ 782.8	₹ 610.8	₹ 864.3	₹ 843.8
Total Current Assets	₹ 5,502.1	₹ 5,967.9	₹ 7,011.5	₹ 10,888.8	₹ 11,691.4
Total Assets	₹ 16,248.8	₹ 16,138.0	₹ 20,355.3	₹ 22,958.4	₹ 25,779.3

RATIO ANALYSIS

Ratio Analysis of - TATA MOTORS LTD								
Years	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Trend	Mean	Median
SalesGrowth	14.36%	5.05%	7.43%	34.03%	18.51%		12.54%	11.41%
EBITDA Growth	17.51%	10.41%	16.81%	-1.07%	30.32%		13.81%	11.94%
EBIT Growth	8.22%	7.97%	21.34%	-2.04%	35.09%		13.77%	9.21%
Net Profit Growth	9.83%	25.07%	18.85%	-3.00%	34.96%		14.72%	12.88%
Dividend Growth	20.69%	14.29%	48.75%	7.28%	33.94%		20.53%	20.69%
Gross Margin	32.92%	34.90%	35.36%	29.25%	31.09%		32.90%	33.19%
EBITDA Margin	19.57%	20.57%	22.36%	16.51%	18.15%		18.80%	19.07%
EBIT Margin	3.81%	4.37%	4.07%	3.13%	2.91%		3.01%	2.69%
EBT Margin	15.76%	16.20%	18.30%	13.37%	15.24%		15.80%	15.98%
Net Profit Margin	10.05%	11.97%	13.24%	9.58%	10.91%		10.70%	10.69%
SalesExpenses%Sales	13.35%	14.33%	13.00%	12.74%	12.94%		14.10%	14.38%
Depreciation%Sales	3.23%	3.86%	3.64%	2.81%	2.49%		2.63%	2.36%
OperatingIncome%Sales	3.81%	4.37%	4.07%	3.13%	2.91%		3.01%	2.69%
Return on Capital Employed	29.13%	30.02%	29.24%	25.89%	30.14%		32.38%	30.96%
Retained Earnings%	47.93%	52.42%	40.45%	34.14%	34.63%		46.69%	50.18%
Return on Equity%	20.42%	23.88%	22.45%	20.19%	23.54%		23.26%	22.99%
Self Sustained Growth Rate	9.79%	12.52%	9.08%	6.89%	8.15%		10.97%	10.40%
Interest Coverage Ratio	28.45x	32.99x	44.36x	41.79x	37.40x		45.82x	43.07x

WHAT SHOULD INVESTORS DO?

We used the Earnings Multiple Approach to value the company because its earnings per share (EPS) has consistently grown over the past five years, and we expect this trend to continue in the future. The approach considers three scenarios: conservative, neutral, and aggressive. In the conservative scenario, we anticipate a slowdown in EPS growth. In the neutral scenario, we expect EPS growth to maintain its current pace. In the aggressive scenario, we predict an acceleration in EPS growth. However, we adopted a slightly conservative approach in all scenarios to prioritize safety.

	Conservative	Neutral	Aggressive
Est. CAGR in EPS% (in the next 10 years)	8%	9%	10%
Estimated PE in 10th year	60	64	70
Discount Rate#	8%	8%	8%
(-) Margin of Safety^	10%	10%	10%
Intrinsic Value in ₹	3,343.97	3,911.28	4,687.04
Fair Value in ₹	3009.58	3,520.15	4,218.34

We analyzed Asian Paints and discovered that the firm is now trading at a discount, with a price lower than its true value. The Earnings Multiple Approach to Valuation determines a fair value of ₹3,511.

Asian Paints' consistent performance track record and excellent position to capitalize on opportunities in the paint sector offer us reason to believe in the company's long-term growth potential.

Given their robust revenue growth and impressive return ratios, we retain our upgrade recommendation on Asian Paints, with a target range of **3480 - 3511** in the future years.



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