



# COMPANY ANALYSIS

ASIAN PAINTS LTD.



# ASIAN PAINTS

Asian Paints Ltd was incorporated in the year 1945 and is headquartered in Mumbai, Maharashtra, India. Asian Paints is India's largest, Asia's 3rd largest, and the world's 9th largest paint company. They operate in four regions - Asia, the Middle East, South Pacific, and Africa with 26 manufacturing facilities through seven corporate brands. Asian paints manufacture a wide range of paints for decorative and industrial use and also offer wall coverings, adhesives, and other services.

**Industry:** Paints

**Area of Expertise:** Decorative and Industrial Paints

**Asian Paints around the world**

## Paint manufacturing locations in India

(installed capacity/annum)

### Decorative coatings

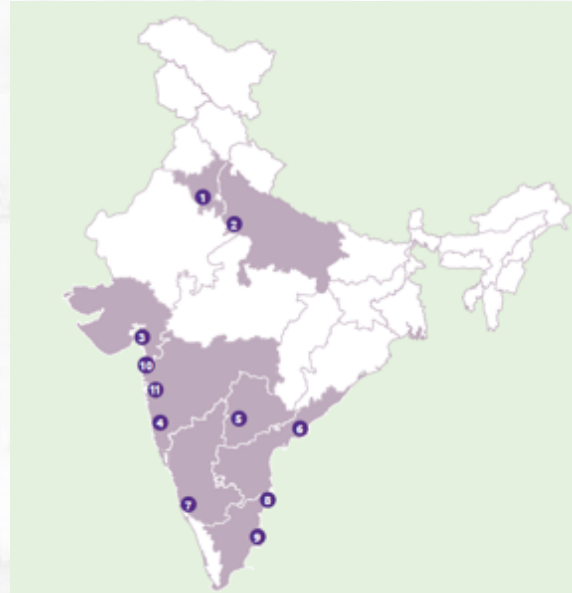
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|--|--|
| 1 Rohtak, Haryana<br>4,00,000 KL       | 5 Patancheru, Telangana<br>80,000 KL           |
| 2 Kasna, Uttar Pradesh<br>80,000 KL    | 6 Visakhapatnam, Andhra Pradesh<br>3,00,000 KL |
| 3 Ankleshwar, Gujarat<br>1,30,000 KL   | 7 Mysuru, Karnataka<br>3,00,000 KL             |
| 4 Khandala, Maharashtra<br>3,00,000 KL | 8 Sriperumbudur, Tamil Nadu<br>1,40,000 KL     |

### Chemical

- 9 Cuddalore, Tamil Nadu  
8,760 MT

### Industrial coatings

- 10 Sarigam, Gujarat (Facility of  
Subsidiary company)  
7,200 MT
- 11 Talaja, Maharashtra  
14,000 KL



## Current Market Capitalization



INR 2,85,581 Cr.

## Price Earning Multiple



77.51

## Current Market Price



INR 2958.40

# Business Model

- Asian Paints is a major player in the paints sector; it produces a large selection of decorative and industrial paints.
- **Decorative paints business:** Cater to varied consumer preferences, consisting primarily of coatings for interior and exterior walls, wood and metal finishes, waterproofing, tools, adhesives, and wall coverings.
- **Industrial paints business:** Cater to the Indian industrial coatings market through two 50:50 joint ventures with PPG Inc., USA, a global leader in coatings. The first joint venture 'PPG Asian Paints Pvt. Ltd.' services the automotive, marine and packaging coating markets. The second joint venture 'Asian Paints PPG Pvt. Ltd.' services the industrial protective coatings, powder coatings, floor coatings and road marking markets in India.
- **Kitchen and Bath business:** Offers modular kitchen and wardrobe solutions that can be customised to the customers' needs through Sleek Internation Pvt. Ltd. – a subsidiary. Bath Fittings and Sanitaryware business deals with providing customised offerings to the customers under the brand name Ess Ess.
- **Beautiful homes services:** Exclusive end-to-end solution that provides consumers a personalised interior design service with professional execution.
- **Home Décor business:** Providing range of furniture, furnishings and lighting products.
- **Services:** 'San Assure', a sanitization service, and 'Safe Painting' service.
- Asian paints provides all the products and services in the domestic market through 145,000+ retail stores, 450+ specialty stores, and 29 beautiful home stores. In the International market it operates in four regions across Asia, the Middle East, South Pacific and Africa through seven corporate brands viz. Asian Paints, Apco Coatings, Asian Paints Berger, Asian Paints Causeway, SCIB Paints, Taubmans and Kadisco Asian Paints.
- The revenue through the decorative business is Rs. 24,721.4 crores contributing to 84.9% of the total revenue followed by the Kitchen and bath business at Rs. 761.7 crores and Industrial business at Rs.723.3 crores; additionally, revenue from international business of Rs.2,894.9 contributes 10% of the total revenue.

# SWOT

## S Strengths

- A market leader with a 52% market share.
- Wide and strong distribution network with 145,000+ retailers and specialized stores.
- Diversified product portfolio spanning from decorative paints to industrial paints.

## W Weakness

- Lack of backward integration of raw materials procurement exposes Asian Paints to inflationary risk.

## T Threats

- Scarcity of raw materials and price volatility.
- Constant change in customer preference for decorative paints.
- Change in government regulations pertaining quality of paints

## O Opportunities

- Tapping into the market of environment-friendly paints.
- Capturing the growing market of industrial and auto chemicals.

# Recent Highlights

**A new water-based paint facility with a capacity of 400k kiloliters per year and a capex of Rs 2000 crore is planned to be commissioned in 3 years.**

**Plans for a joint venture to manufacture and export white cement through a plant in Fujairah, USA, with a capex of Rs 550 crore spread across 2 years have been made.**



# Sector-wise Trend

## 01 SUPPLY CHAIN CONSTRAINTS

The country has recovered from COVID-induced supply chain constraints and there's an increase in demand, particularly in Tier 3 and 4 cities, which will drive growth in case demand from Tier 1 and 2 cities falls.

## 02 INCREASING PURCHASING POWER

The paint sector has seen strong growth due to increasing purchasing power and the Indian middle class considering paint as a lifestyle aspect. Consumption has risen from 1.5 kg per capita to 4.1 kg in 5 years and will continue to grow exponentially.

## 03 GEOPOLITICAL TENSION

Geopolitical tension caused a rise in crude oil prices and increase in the cost of production of paints and chemicals, hurting margins. Expectation is for prices to decrease, with current crude oil price around \$75, predicted to stabilize around \$65.

## 04 COST OPTIMISATION

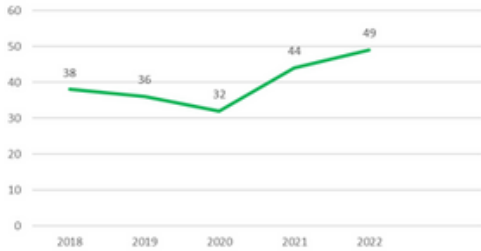
Cost optimization has been done for process and product formulation and higher cost for procurement of the raw materials has been passed down to customers to make sure that the margins are healthy.

# Financial Highlights

PARTICULARS	FY 19-20	FY 20-21	FY 21-22	COMMENTS
Revenues (INR in crores)	20566.30	22044.44	29512.86	The revenue has increased sharply by 34% due to post covid recovery.
Inventory Turnover	3.51	3.39	3.72	Experienced a slump in inventory turnover due to the pandemic but it is recovering.
EBITDA Margin	21.94%	23.53%	17.28%	Decrease in EBITDA margin due to increase in raw material prices.
RoCE	37.8%	38.07%	33.5%	ROCE has reduced due to decrease in net profit and increase in debt..
RoE	25.68%	28.33%	24.65%	ROE has decreased slightly due to a dip in net profit.

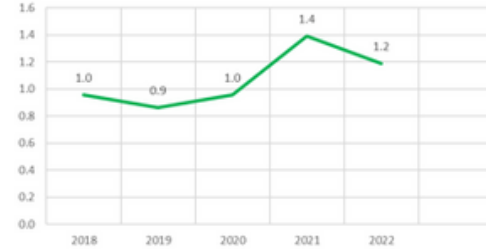
# Ratio Analysis

## DEBTOR DAYS



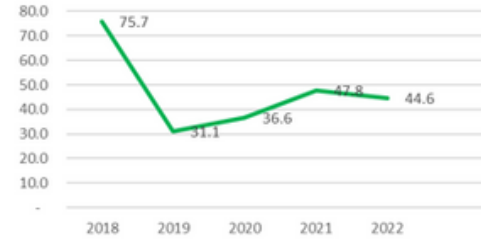
The debtor days have increased due to an increase in trade receivables as the company increased the credit period during the post-pandemic recovery.

## QUICK RATIO



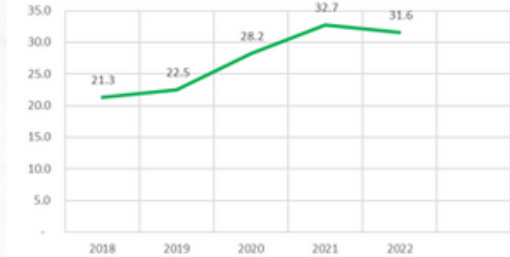
The quick ratio of the company has declined due to an increase in current liabilities mainly the short-term borrowings and trade payables.

## DEBT SERVICE COVERAGE RATIO



The debt service coverage ratio has dropped due to an increase in interest expenses as a result of higher borrowing.

## EARNINGS PER SHARE



The earnings per share have been consistently increasing, this is due to the increase in earnings and the efficient utilizing its capital.



# Future Outlook

## 1 FOR THE INDUSTRY

The Paints and Home Décor business appears to have rebounded from the lull experienced because of the double whammy of lockdown and inflation. The sector is now witnessing a rebound and is catering to the pent-up demand in the economy. The customer confidence appears to be strong and with the fiscal support provided by the government in terms of the Production linked incentive schemes the sector will benefit in the long run.

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## 2 FOR THE COMPANY

Asian Paints is the market leader in the Paints and Home décor business with a market share close to 50% in the organized sector. The company has performed exemplarily even in these tumultuous times. The revenue and profit margin have been steady and the investor's confidence in the company remains high. The company has an outstanding track record, a strong balance sheet and is an established dividend payer.