

July 25, 2023

Q1FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		ACCUMULATE	
Target Price	3,527		3,360	
Sales (Rs. m)	3,75,335	4,17,092	3,85,236	4,38,888
% Chng.	(2.6)	(5.0)		
EBITDA (Rs. m)	79,710	87,917	77,263	85,118
% Chng.	3.2	3.3		
EPS (Rs.)	57.2	63.5	55.3	61.4
% Chng.	3.4	3.5		

Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	2,91,13	3,44,886	3,75,335	4,17,092
EBITDA (Rs. m)	48,036	62,598	79,710	87,917
Margin (%)	16.5	18.2	21.2	21.1
PAT (Rs. m)	31,463	42,442	54,834	60,943
EPS (Rs.)	32.8	44.2	57.2	63.5
Gr. (%)	0.2	34.9	29.2	11.1
DPS (Rs.)	18.2	19.9	27.3	33.0
Yield (%)	0.5	0.6	0.8	1.0
RoE (%)	23.6	28.5	31.2	29.5
RoCE (%)	28.7	34.2	38.2	36.6
EV/Sales (x)	11.1	9.4	8.6	7.7
EV/EBITDA (x)	67.4	51.7	40.4	36.6
PE (x)	103.7	76.8	59.5	53.5
P/BV (x)	23.6	20.4	17.0	14.7

Key Data

ASPN.BO | APNT IN

52-W High / Low	Rs.3,590 / Rs.2,686
Sensex / Nifty	66,342 / 19,672
Market Cap	Rs.3,261bn/ \$ 39,838m
Shares Outstanding	959m
3M Avg. Daily Value	Rs.2887.19m

Shareholding Pattern (%)

Promoter's	52.63
Foreign	17.47
Domestic Institution	10.05
Public & Others	19.81
Promoter Pledge (Rs bn)	7.26

Stock Performance (%)

	1M	6M	12M
Absolute	3.1	22.5	9.5
Relative	(2.1)	11.2	(8.0)

Amnish Aggarwal

amnishaggarwal@plindia.com | 91-22-66322233

Harish Advani

harishadvani@plindia.com | 91-22-66322242

Vishwa Solanki

vishwasolanki@plindia.com | 91-22-66322244

Valuations, competition to cap re-rating potential

Quick Pointers:

- Decorative volume growth of 10%; Rural and urban growing in sync
- Industrial paints on strong wicket, IBD outlook mixed due to currency issues

We cut rating from Accumulate to Hold given valuations of 53.5x FY25 EPS and expected increase in competitive intensity from Grasim and JSW in coming years. We upgrade our FY24/25 EPS by 3.4/3.5% but given 1) strong demand outlook (10% volumes during 1Q24) and 2) benign raw material outlook and stable pricing environment and 3) sustained strength in Industrial paints (Auto and non-auto industrial). 1Q saw a sharp 190bps QoQ EBITDA margin recovery to 23.1% supported by 40bps QoQ gross margin improvement. IBD margins remain under pressure with uncertain currency outlook while Home décor is showing mixed growth due to high base in kitchen and bath segments.

Long term growth levers are intact led by 1) market share gains in decorative paints 2) sustained increase in distribution (addition of 6k retail touch points in 1Q24) 3) focus on high growth waterproofing/wood finishes/ projects business 4) scalability plans in home décor from 4-5% to 8-10% of sales by FY26 (both organic and inorganic). However, re-rating potential is limited given expected increased in competition and rich valuations. We value stock on DCF and assign target price of Rs3527 (Rs3360 earlier). Cut to Hold.

Decorative volume growth of 10%; Consol Revenues grew by 6.7% YoY to Rs91.8bn. Gross margins expanded by 523bps YoY/44bps QoQ to 42.9%. EBITDA grew by 36.3% YoY to Rs21.2bn; Margins expanded by 502bps YoY/188bps QoQ to 23.1%. Adj. PAT grew by 48.5% YoY to Rs15.7bn. Standalone Revenues grew 7% YoY to Rs81.1bn; Gross margins expanded 546bps YoY/35bps QoQ to 43.6%; EBITDA margins expanded 537bps YoY/173bps QoQ to 24.6%; Adj. PAT grew 48.3% YoY to Rs15.1bn. Sub Sales grew 4.7% YoY; EBITDA grew 30.2% YoY.

Concall Takeaways: 1) 1Q24 saw double digit volume growth across rural & urban markets 2) Rural markets have recovered and are growing in sync with urban markets 3) Demand outlook positive in 2Q/3Q given good progress of monsoon & festive season 3) RM basket saw 2% QoQ deflation and near term outlook remains benign 4) Economy & Premium Range Products are growing faster in comparison to Luxury Market. 5) Projects business growing faster than B2C on account of construction activity & govt spending 7) APNT increased its distribution footprint by adding 6k retail points (Total 1.6L retail points) 8) New innovations contribute to 11% of overall revenue 9) ANPT increased stake in White Teak by 11% to 60% at a cost of Rs538mn 10) Industrial Business witnessed double digit growth due to softening of RM prices & strong demand from automobile & Infra spends by Govt 11) IBD performed lower than expectations due to currency devaluation & macro-economic challenges in key Asian markets (mainly Nepal), Growth was supported by Middle East.

Exhibit 1: 1QFY24 Results - Consolidated (Rs mn): Revenues grew 6.7% EBITDA margins at 23.1%, Adj PAT grew 48.5%

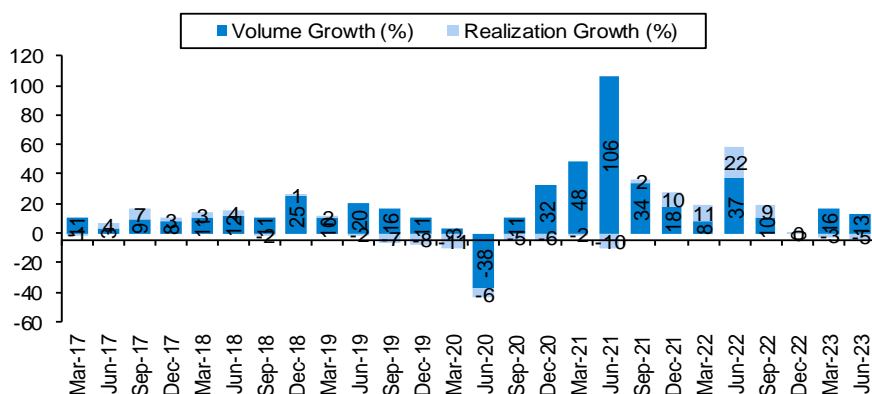
Consolidated	1QFY24	1QFY23	YoY gr. (%)	4QFY23	FY23	FY22	YoY gr. (%)
Net Sales	91,823	86,069	6.7	87,873	3,44,886	2,91,013	18.5
Gross Profit	39,419	32,450	21.5	37,341	1,33,321	1,08,005	23.4
% of NS	42.9	37.7	5.2	42.5	38.7	37.1	1.5
Other Expenses	18,206	16,891	7.8	18,694	70,723	59,969	17.9
% of NS	19.8	19.6		21.3	20.5	20.6	
EBITDA	21,213	15,560	36.3	18,648	62,598	48,036	30.3
Margins %	23.1	18.1	5.02	21.2	18.2	16.5	1.6
Depreciation	1,983	2,081	-4.7	2,202	8,580	8,164	5.1
Interest	458	288	59.1	389	1,445	954	51.4
Other Income	1,971	990	99.1	1,055	3,865	3,800	1.7
PBT	20,743	14,181	46.3	17,112	56,439	42,719	32.1
Tax	5,301	3,706	43.0	4,514	14,935	11,029	35.4
Tax rate %	25.6	26.1		26.4	26.5	25.8	
Adj. PAT	15,748	10,602	48.5	12,831	42,442	32,005	32.6

Source: Company Data, PL Research

Exhibit 2: 1QFY24 Results - Standalone (Rs mn): Revenues up 7%, EBITDA margins at 24.6%, Adj PAT grew 48.3%

Standalone	1QFY24	1QFY23	YoY gr. (%)	4QFY23	FY23	FY22	YoY gr. (%)
Net Sales	81,140	75,862	7.0	76,260	3,00,784	2,51,885	19.4
Gross Profit	35,357	28,917	22.3	32,964	1,17,509	95,796	22.7
% of NS	43.6	38.1	5.5	43.2	39.1	38.0	1.0
Other Expenses	15,359	14,291	7.5	15,488	59,304	49,918	18.8
% of NS	18.9	18.8		20.3	19.7	19.8	
EBITDA	19,998	14,626	36.7	17,476	58,205	45,878	26.9
Margins %	24.6	19.3	5.37	22.9	19.4	18.2	1.1
Depreciation	1,721	1,841	-6.5	1,937	7,558	7,216	4.7
Interest	263	199	32.1	249	931	703	32.5
Other Income	2,168	1,138	90.4	1,250	5,180	4,519	14.6
PBT	20,182	13,724	47.1	16,540	54,896	42,479	29.2
Tax	5,098	3,551	43.5	4,203	13,894	10,594	31.1
Tax rate %	25.3	25.9		25.4	25.3	24.9	
Adj. PAT	15,084	10,173	48.3	12,337	41,002	31,884	28.6

Source: Company Data, PL Research

Exhibit 3: Volumes grow 10% in 1Q24


Source: Company, PL

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

(Rs mn)	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24
Revenue	6170	7070	7760	8290	7100	8160	7860	8030	7170
Africa	1400	1380	1250	1580	1510	1750	1830	1750	1590
Middle East	1850	1720	2050	1970	2030	2210	2400	2460	2490
Asia	2660	3660	4050	4420	3300	3800	3230	3490	2750
South Pacific	260	310	410	320	260	400	400	330	340
YoY Growth	54.3%	6.2%	9.1%	12.2%	15.1%	15.4%	1.3%	-3.1%	1.0%
Africa	13.8%	-16.0%	-19.0%	1.0%	7.9%	26.8%	46.4%	10.8%	5.3%
Middle East	40.2%	1.0%	10.0%	8.0%	9.7%	28.5%	17.1%	24.9%	22.7%
Asia	119.8%	20.8%	18.0%	18.0%	24.1%	3.8%	-20.2%	-21.0%	-16.7%
South Pacific	8.3%	-4.0%	32.0%	10.0%	0.0%	29.0%	-2.4%	3.1%	30.8%
PBT	-20	-100	190	230	420	500	500	540	420
Africa	-90	-160	-160	-30	80	30	100	90	160
Middle East	-10	-110	20	-170	10	-20	110	170	140
Asia	20	100	220	370	300	420	220	240	60
South Pacific	60	70	110	60	30	70	70	40	60
PBT Margins	0%	-1%	2%	3%	6%	6%	6%	7%	6%
Africa	-6%	-12%	-13%	-2%	5%	2%	5%	5%	10%
Middle East	-1%	-6%	1%	-9%	0%	-1%	5%	7%	6%
Asia	1%	3%	5%	8%	9%	11%	7%	7%	2%
South Pacific	23%	23%	27%	19%	12%	18%	18%	12%	18%

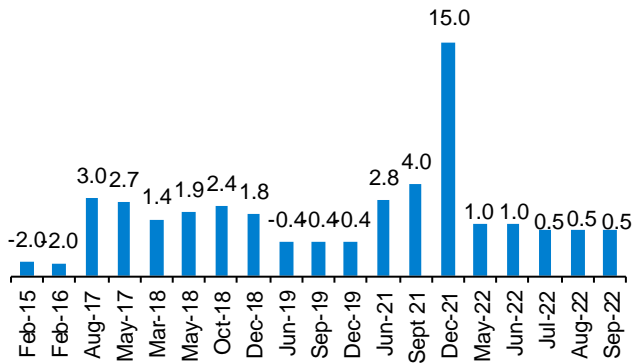
Source: Company Data, PL Research

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

(Rs mn)	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24
Revenue	5320	7550	8400	8800	8880	9140	9660	9120	9470
PPG-AP	2550	3770	4150	3960	4160	4690	5130	4280	4720
AP-PPG	1550	1800	2110	2470	2420	2250	2620	2900	2940
Kitchen Business	660	1050	1110	1280	1090	1180	1010	980	960
Bath Business	560	930	1030	1090	1180	1020	900	960	850
YoY Growth	177.1%	46.4%	18.9%	23.2%	66.9%	21.1%	15.0%	3.6%	7.0%
PPG-AP	207.2%	33.0%	5.0%	19.0%	63.1%	24.4%	23.6%	8.1%	13.5%
AP-PPG	162.7%	55.0%	33.0%	28.0%	56.1%	25.0%	24.2%	17.4%	21.5%
Kitchen Business	164.0%	70.0%	37.0%	34.0%	68.2%	12.4%	-9.0%	-23.4%	-11.9%
Bath Business	124.0%	69.1%	42.0%	17.0%	112.5%	9.7%	-12.6%	-11.9%	-28.0%
PBT	-120	350	530	450	420	670	1100	780	1190
PPG-AP	-60	270	400	250	320	570	910	560	820
AP-PPG	40	50	120	210	120	140	260	330	390
Kitchen Business	-80	0	0	-20	-70	-40	-60	-110	-20
Bath Business	-20	30	10	10	50	0	-10	0	0
PBT Margins	-2%	5%	6%	5%	5%	7%	11%	9%	13%
PPG-AP	-2%	7%	10%	6%	8%	12%	18%	13%	17%
AP-PPG	3%	3%	6%	9%	5%	6%	10%	11%	13%
Kitchen Business	-12%	0%	0%	-2%	-6%	-3%	-6%	-11%	-2%
Bath Business	-4%	3%	1%	1%	4%	0%	-1%	0%	0%

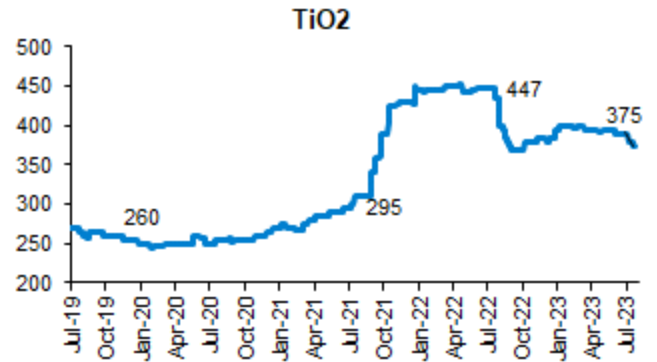
Source: Company Data, PL Research

Exhibit 6: No price hikes taken since Sept'22



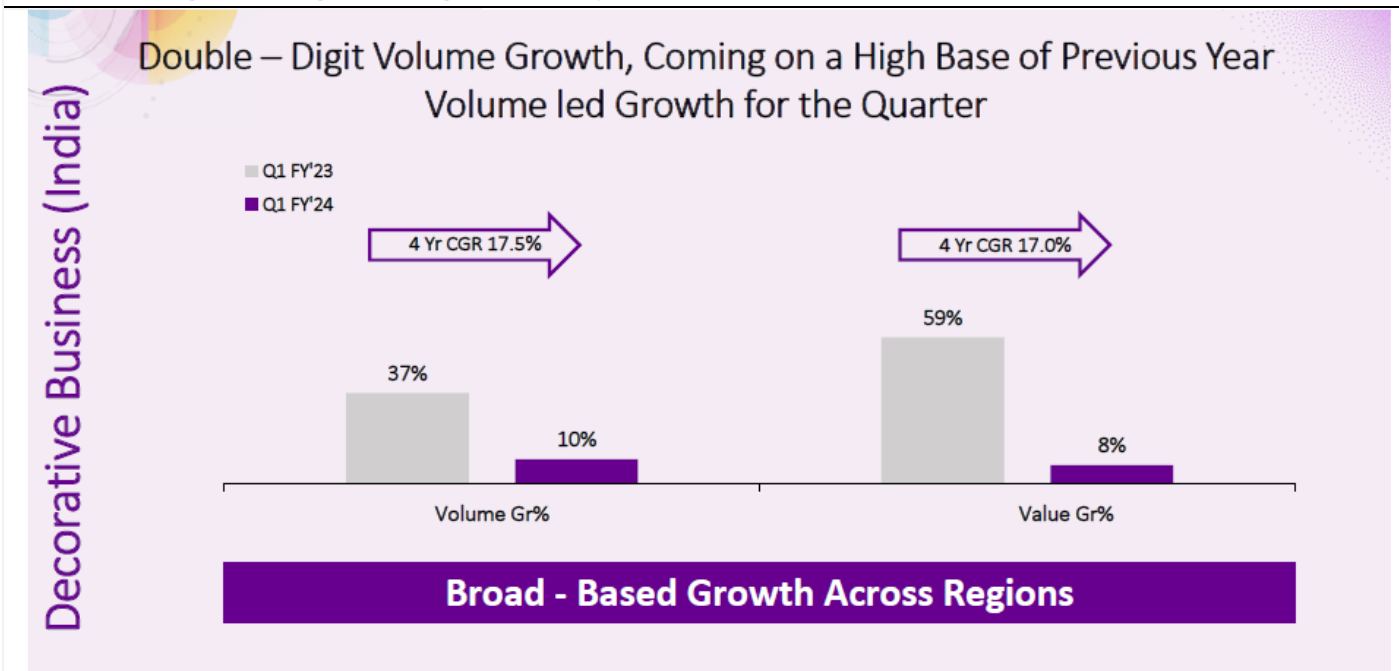
Source: Company, PL

Exhibit 7: Tio2 prices down 12%% YoY & 1.3% QoQ



Source: Company, PL

Exhibit 8: Strong double digit volume growth on a 4yr CAGR



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	2,91,013	3,44,886	3,75,335	4,17,092
YoY gr. (%)	34.0	18.5	8.8	11.1
Cost of Goods Sold	1,83,008	2,11,565	2,17,500	2,41,406
Gross Profit	1,08,005	1,33,321	1,57,835	1,75,686
Margin (%)	37.1	38.7	42.1	42.1
Employee Cost	17,867	20,281	22,448	25,002
Other Expenses	42,103	50,442	55,677	62,767
EBITDA	48,036	62,598	79,710	87,917
YoY gr. (%)	(1.1)	30.3	27.3	10.3
Margin (%)	16.5	18.2	21.2	21.1
Depreciation and Amortization	8,164	8,580	9,647	10,359
EBIT	39,873	54,018	70,063	77,559
Margin (%)	13.7	15.7	18.7	18.6
Net Interest	954	1,445	1,239	1,301
Other Income	3,800	3,865	5,088	5,966
Profit Before Tax	42,719	56,439	73,912	82,223
Margin (%)	14.7	16.4	19.7	19.7
Total Tax	11,029	14,935	19,365	21,543
Effective tax rate (%)	25.8	26.5	26.2	26.2
Profit after tax	31,689	41,504	54,547	60,681
Minority interest	542	-	752	922
Share Profit from Associate	316	939	1,040	1,185
Adjusted PAT	31,463	42,442	54,834	60,943
YoY gr. (%)	0.2	34.9	29.2	11.1
Margin (%)	10.8	12.3	14.6	14.6
Extra Ord. Income / (Exp)	1,157	(489)	-	-
Reported PAT	32,620	41,953	54,834	60,943
YoY gr. (%)	3.9	28.6	30.7	11.1
Margin (%)	11.2	12.2	14.6	14.6
Other Comprehensive Income	(2,257)	(481)	-	-
Total Comprehensive Income	30,363	41,473	54,834	60,943
Equity Shares O/s (m)	959	959	959	959
EPS (Rs)	32.8	44.2	57.2	63.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	87,569	90,859	96,059	1,01,259
Tangibles	83,642	86,642	91,642	96,642
Intangibles	3,927	4,217	4,417	4,617
Acc: Dep / Amortization	43,864	49,674	56,038	62,755
Tangibles	41,797	47,331	53,393	59,795
Intangibles	2,067	2,343	2,645	2,961
Net fixed assets	43,705	43,331	40,021	38,503
Tangibles	41,845	41,457	38,249	36,847
Intangibles	1,860	1,874	1,772	1,656
Capital Work In Progress	4,264	10,196	33,000	60,000
Goodwill	2,429	2,285	2,565	2,565
Non-Current Investments	15,529	19,279	19,689	21,176
Net Deferred tax assets	(3,228)	(3,162)	(3,283)	(3,263)
Other Non-Current Assets	12,135	17,352	12,726	13,061
Current Assets				
Investments	21,807	26,970	31,289	37,496
Inventories	61,530	62,106	66,841	68,563
Trade receivables	38,714	46,369	41,133	42,852
Cash & Bank Balance	8,643	8,438	16,858	15,416
Other Current Assets	5,413	5,540	7,507	8,342
Total Assets	2,29,845	2,57,980	2,89,910	3,28,141
Equity				
Equity Share Capital	959	959	959	959
Other Equity	1,37,156	1,58,963	1,91,103	2,20,393
Total Network	1,38,116	1,59,922	1,92,063	2,21,352
Non-Current Liabilities				
Long Term borrowings	445	762	100	100
Provisions	2,183	2,307	2,716	3,025
Other non current liabilities	21	392	21	21
Current Liabilities				
ST Debt / Current of LT Debt	7,311	8,961	4,776	5,054
Trade payables	41,643	36,354	44,692	49,604
Other current liabilities	26,756	33,644	30,617	33,731
Total Equity & Liabilities	2,29,845	2,57,980	2,89,910	3,28,141

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	42,719	53,976	73,912	82,223
Add. Depreciation	8,164	8,674	9,647	10,359
Add. Interest	954	1,684	1,239	1,301
Less Financial Other Income	3,800	3,865	5,088	5,966
Add. Other	220	-	-	-
Op. profit before WC changes	52,056	64,333	84,798	93,883
Net Changes-WC	(19,115)	(17,930)	(2,558)	(7,670)
Direct tax	(11,029)	(14,142)	(19,365)	(21,543)
Net cash from Op. activities	21,912	32,262	62,876	64,671
Capital expenditures	(7,203)	(17,120)	(25,970)	(35,718)
Interest / Dividend Income	-	-	-	-
Others	4,344	(4,068)	2,519	295
Net Cash from Inv. activities	(2,859)	(21,188)	(23,452)	(35,423)
Issue of share cap. / premium	(3,161)	812	2,692	(922)
Debt changes	7,180	7,900	(6,639)	2,834
Dividend paid	(17,409)	(19,088)	(26,138)	(31,654)
Interest paid	(954)	(1,684)	(1,239)	(1,301)
Others	(1,956)	-	-	-
Net cash from Fin. activities	(16,300)	(12,060)	(31,325)	(31,043)
Net change in cash	2,753	(986)	8,099	(1,795)
Free Cash Flow	14,709	15,142	36,905	28,953

Source: Company Data, PL Research

Key Financial Metrics

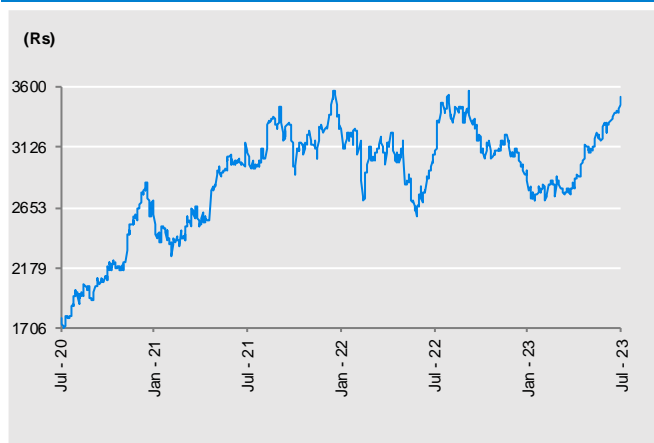
Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	32.8	44.2	57.2	63.5
CEPS	41.3	53.2	67.2	74.3
BVPS	144.0	166.7	200.2	230.8
FCF	15.3	15.8	38.5	30.2
DPS	18.2	19.9	27.3	33.0
Return Ratio(%)				
RoCE	28.7	34.2	38.2	36.6
ROIC	27.3	32.5	38.3	36.0
RoE	23.6	28.5	31.2	29.5
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.2)	(0.2)
Net Working Capital (Days)	73	76	62	54
Valuation(x)				
PER	103.7	76.8	59.5	53.5
P/B	23.6	20.4	17.0	14.7
P/CEPS	82.3	63.9	50.6	45.7
EV/EBITDA	67.4	51.7	40.4	36.6
EV/Sales	11.1	9.4	8.6	7.7
Dividend Yield (%)	0.5	0.6	0.8	1.0

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Net Revenue	84,576	86,367	87,873	91,823
YoY gr. (%)	19.2	1.3	11.3	6.7
Raw Material Expenses	54,356	53,058	50,532	52,404
Gross Profit	30,219	33,310	37,341	39,419
Margin (%)	35.7	38.6	42.5	42.9
EBITDA	12,277	16,114	18,648	21,213
YoY gr. (%)	35.7	4.5	29.2	36.3
Margin (%)	14.5	18.7	21.2	23.1
Depreciation / Depletion	2,157	2,141	2,202	1,983
EBIT	10,120	13,974	16,446	19,230
Margin (%)	12.0	16.2	18.7	20.9
Net Interest	354	414	389	458
Other Income	955	866	1,055	1,971
Profit before Tax	10,721	14,426	17,112	20,743
Margin (%)	12.7	16.7	19.5	22.6
Total Tax	2,903	3,811	4,514	5,301
Effective tax rate (%)	27.1	26.4	26.4	25.6
Profit after Tax	7,817	10,614	12,597	15,442
Minority interest	-	-	-	-
Share Profit from Associates	221	357	234	307
Adjusted PAT	8,038	10,971	12,831	15,748
YoY gr. (%)	32.8	6.4	29.6	48.5
Margin (%)	9.5	12.7	14.6	17.2
Extra Ord. Income / (Exp)	-	-	(247)	-
Reported PAT	8,038	10,971	12,584	15,748
YoY gr. (%)	32.8	6.4	44.0	52.0
Margin (%)	9.5	12.7	14.3	17.2
Other Comprehensive Income	784	(298)	180	606
Total Comprehensive Income	8,822	10,673	12,764	16,354
Avg. Shares O/s (m)	959	959	959	959
EPS (Rs)	8.4	11.4	13.4	16.4

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jul-23	Accumulate	3,360	3,399
2	11-May-23	Accumulate	3,360	3,140
3	11-Apr-23	Accumulate	3,150	2,776
4	19-Jan-23	Accumulate	3,150	2,866
5	06-Jan-23	Accumulate	3,326	2,978
6	20-Oct-22	Accumulate	3,326	3,141
7	04-Oct-22	BUY	3,446	3,303

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	3,360	3,399
2	Avenue Supermarts	BUY	4,587	3,840
3	Britannia Industries	Hold	4,800	5,174
4	Colgate Palmolive	Hold	1,636	1,780
5	Dabur India	Accumulate	590	592
6	Emami	Accumulate	517	427
7	Hindustan Unilever	Hold	2,775	2,700
8	ITC	Accumulate	455	474
9	Jubilant FoodWorks	Accumulate	515	492
10	Kansai Nerolac Paints	Accumulate	328	320
11	Marico	Accumulate	550	528
12	Mold-tek Packaging	Hold	968	1,074
13	Nestle India	Accumulate	22,600	23,099
14	Pidilite Industries	Hold	2,664	2,649
15	Restaurant Brands Asia	Accumulate	146	112
16	Titan Company	Accumulate	3,242	3,088
17	Westlife Foodworld	Accumulate	800	864

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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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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