

Bloomberg Code	APNT IN
No of share O/S (in crs)	95.92
Market Cap (in Rs. Crs)	2,82,177
Face Value (in Rs.)	1.00
Dividend Yield (%)	0.60
52 Wk High/Low (Rs.)	3,504/2,071

Shareholding (%)

Promoters	52.79
Institutional	28.13
Public	19.18
Total	100.00

Key Highlights

Asian Paints Ltd (APNT) reported revenue from operations of INR 7,096 cr in Q2FY22, a QoQ and YoY growth of 27.0% and 32.6%, respectively. Revenue growth was supported by strong YoY growth of 34% in sales volume in the domestic decorative business due to the low base of the same quarter previous year. In Q2FY22 raw material price inflation adversely impacted the gross profit, which witnessed a QoQ/YoY growth of 14.9%/3.8%, respectively to INR 2,466 cr, while gross margins contracted by 368bps/966bps on QoQ/YoY basis, respectively, to 34.7%. The rise in employee cost, office expenses and other operating cost, after the post pandemic lockdowns lifted, impacted the EBITDA, which registered a QoQ/YoY decline of 1.0%/28.5%, respectively, to INR 905 cr during the quarter. The EBITDA margins contracted by 361bps/1090bps on a QoQ/YoY basis, respectively, to 12.7% over the same period.

Other income was higher by 54.2% and 67.3% on a QoQ and YoY basis, respectively, to INR 138 cr. However, higher depreciation, interest cost and tax rate offset the benefits of higher other income and impacted the bottom-line. As a result, the net profit of the company registered a QoQ/YoY change of 5.4%/-29.0%, respectively, to INR 605 cr and net profit margin was at 8.5%, a QoQ/YoY decline of 175bps/739bps, respectively.

Segmental Highlights

The domestic decorative paint business recorded a YoY volume growth of 34% (higher than the consensus estimate of 25-30%), while the revenue from the Paints segment clocked a QoQ/YoY growth of 26.3%/31.9%, respectively, to INR 6,902 cr in Q2FY22, while the segment's EBIT reported a QoQ/YoY change of -28.5%/4.5% to INR 845 cr.

The Home Improvement segment posted a strong revenue growth of 60.7%/66.4% on a QoQ/YoY basis, respectively, to INR 195 cr in Q2FY22, while the segment turned profitable in Q2FY22 and reported an EBIT of INR 3 cr, compared to the loss of INR 9 cr in Q1FY22 and the loss of INR 4 cr in Q2FY22. Within the Home Improvement business, the kitchen business registered sales of INR 105 cr (+70% YoY) in Q2FY22, supported by growth in both components and the full kitchen business. The bath business earned a revenue of INR 93 cr (+69% YoY) in Q2FY22 on account of a pick-up in demand across product segments. Revenue from the international business came in at INR 701 cr during Q2FY22 with a YoY growth of 6%, respectively, led by strong performance in Asia, Africa and the Middle East.

Concall Highlights

- In the Home Décor space, APNT opened 26 'Beautiful Homes' stores with 16 new colour ideas in Q2FY22. The company took various initiatives in this space – launched a new series of wall papers, introduced Ador, Nilaya and Royale range of furnishings and added designer tiles in the portfolio.
- The modular kitchen segment registered a YoY revenue growth of 70% on the back of strong demand for full kitchen solutions along with dealer network expansion and introduction of luxury offerings.
- APNT is focusing on market share gain in the overseas business and adding new products to improve offerings. However, the management indicated that the forex tightness in few overseas markets is a concern. Increasing fuel prices and higher freight costs are also impacting the overseas profitability.

Valuation

At the CMP of Rs. 2,942 APNT is trading at FY23 P/E of 68.7

Financial Summary

Revenue was majorly led by volume and value growth in the domestic decorative business.

Surge in Employee cost and other office expenses caused the EBITDA to dip. EBITDA margins are expected to remain stable at current levels for the short to medium term.

Net profit to remain in-line with the operating performance of the company.

Figures are in Rs Cr	Q2FY22	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	FY20	FY21	YoY (%)
Revenue from operations	7,096.0	5,350.2	32.6	5,585.4	27.0	20,211.3	21,712.8	7.4
Raw Material Cost	4,630.4	2,974.5	55.7	3,438.9	34.6	11,383.5	12,097.2	6.3
RM Cost to Sales (%)	65.3	55.6		61.6		56.3	55.7	
Employee Cost	441.5	378.9	16.5	432.1	2.2	1,366.1	1,540.8	12.8
Employee Cost to Sales (%)	6.2	7.1		7.7		6.8	7.1	
Other Expenses	1,119.6	731.7	53.0	800.8	39.8	3,299.9	3,219.2	(2.4)
Other expenses to Sales (%)	15.8	13.7		14.3		16.3	14.8	
EBITDA	904.5	1,265.2	(28.5)	913.6	(1.0)	4,161.8	4,855.6	16.7
EBITDA Margin (%)	12.7	23.6		16.4		20.6	22.4	
Depreciation	202.8	193.6	4.7	200.6	1.1	780.5	791.3	1.4
Interest	23.9	20.5	16.3	21.5	11.1	102.3	91.6	(10.5)
Other Income	138.2	82.6	67.3	89.6	54.2	304.3	303.1	(0.4)
Other Income to Sales (%)	1.9	1.5		1.6		1.5	1.4	
Profit Before Tax	816.0	1,133.7	(28.0)	781.1	4.5	3,583.3	4,275.8	19.3
Tax Rate (%)	27.1	25.9		26.2		23.9	25.7	
Profit After Tax	595.0	840.1	(29.2)	576.8	3.1	2,728.4	3,178.2	16.5
PAT Margin (%)	8.4	15.7		10.3		13.5	14.6	
Minority Int/Share of Associates	10.2	11.8		(2.5)		(18.3)	(38.9)	
Net Profit	605.2	851.9	(29.0)	574.3	5.4	2,710.1	3,139.3	15.8
Net Profit Margin (%)	8.5	15.9		10.3		13.4	14.5	
Adjusted EPS (Rs.)	6.3	8.9	(29.0)	12.9	(51.1)	28.3	32.7	15.8
Net Worth						10,130.2	12,806.3	
Adjusted BVPS (Rs.)						105.6	133.5	
Net Debt						(955.2)	(3,537.6)	
Net Debt to Equity (x)						(0.1)	(0.3)	
Net Debt to EBITDA (x)						(0.2)	(0.7)	
RoE (%)						26.8	24.5	
P/E (x)						104.1	89.9	
P/B (x)						27.9	22.0	

Segmental Performance

Particulars in Rs crs	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	FY18	FY19	FY20	FY21
Revenue Breakup														
Paints	5,022.8	4,929.7	5,294.1	4,532.9	2,870.6	5,232.9	6,635.1	6,467.2	5,464.7	6,901.7	16,927.2	18,933.4	19,753.6	21,205.7
Home Improvement	107.8	121.0	126.1	102.7	52.1	117.4	153.4	185.9	121.5	195.2	335.1	416.5	457.7	508.7
Inter Segment Eliminations	-	-	-	-	-	-	-	(1.7)	(0.8)	(1.0)		-	-	(1.7)
Total Revenue	5,130.6	5,050.7	5,420.3	4,635.6	2,922.7	5,350.2	6,788.5	6,651.4	5,585.4	7,096.0	17,262.2	19,349.8	20,211.3	21,712.8

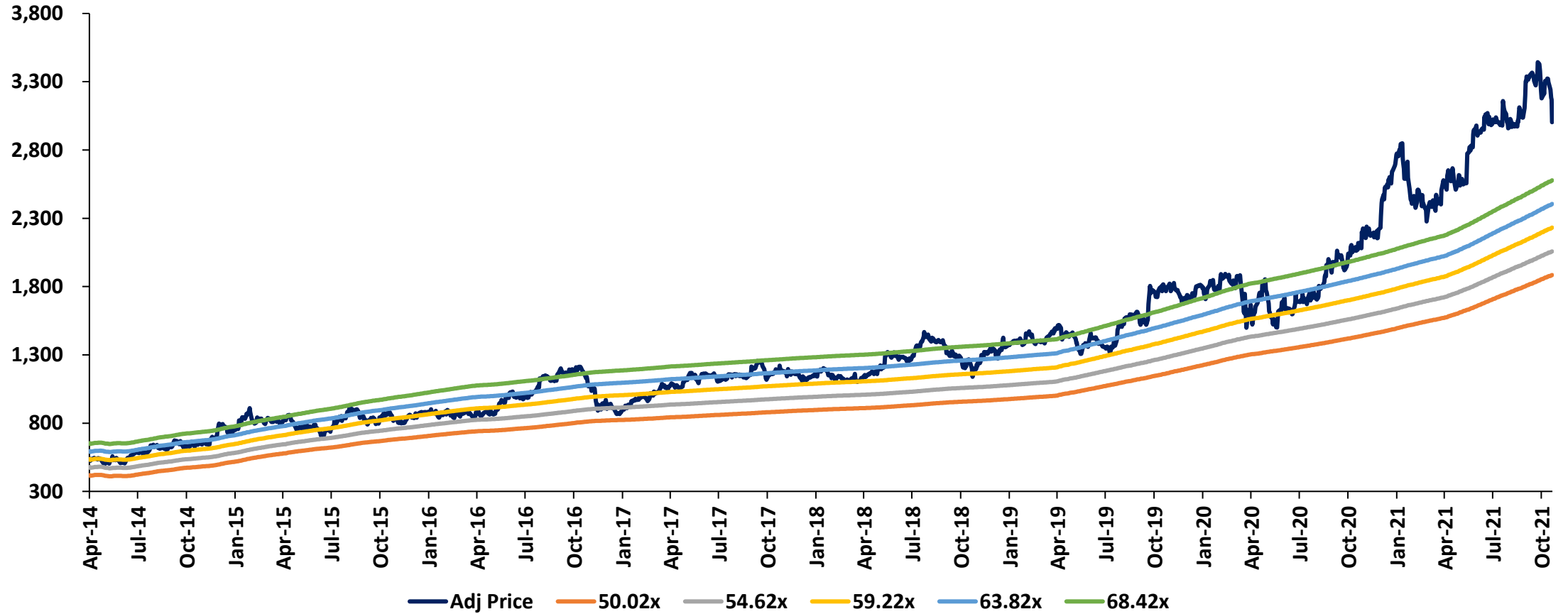
Revenue Breakup (%)														
Paints	97.9	97.6	97.7	97.8	98.2	97.8	97.7	97.2	97.8	97.3	1.0	1.0	1.0	1.0
Home Improvement	2.1	2.4	2.3	2.2	1.8	2.2	2.3	2.8	2.2	2.8	0.0	0.0	0.0	0.0

Particulars in Rs crs	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	FY18	FY19	FY20	FY21
EBIT Breakup														
Paints	1,059.8	915.2	1,105.4	807.0	371.6	1,181.8	1,722.6	1,229.7	809.1	845.4	3,260.5	3,567.2	3,890.0	4,505.7
Home Improvement	(15.8)	(15.5)	(16.8)	(22.2)	(21.2)	(4.2)	(0.8)	(1.5)	(9.2)	3.1	(32.0)	(53.2)	(70.4)	(27.6)
Total	1,044.0	899.7	1,088.5	784.8	350.4	1,177.6	1,721.8	1,228.2	799.9	848.5	3,228.6	3,514.0	3,819.6	4,478.0

EBIT Margin (%)														
Paints	21.1	18.6	20.9	17.8	12.9	22.6	26.0	19.0	14.8	12.2	19.3	18.8	19.7	21.2
Home Improvement	(14.7)	(12.8)	(13.3)	(21.6)	(40.6)	(3.6)	(0.5)	(0.8)	(7.6)	1.6	(9.5)	(12.8)	(15.4)	(5.4)

1 year forward valuation band chart

1 year forward P/E band chart



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