



Asian Paints is India's largest and Asia's third largest paints corporation. Asian Paints, headquartered in Mumbai, is engaged in the business of manufacturing, selling and distribution of wide range of paints for decorative and industrial use, coatings, products related to home decor, bath fittings and providing of related services. It also offers wall coverings, adhesives and services under its portfolio. It has entered Home Decor segment offering lightings, furnishings and furniture, along with end-to-end design to execution services under this segment.

A company which has very wide presence across the globe, along with its subsidiaries has operations in 14 countries globally with 27 paint manufacturing facilities servicing consumers in 65 countries through brands such as Berger International, SCIB Paints, Apco Coatings Taubmans, Causeway Paints and Kadisco. Asian Paints is the holding company of Berger International. Asian Paints is a company whose 48% of the sales comes only from Asia. The company also operates through 'PPG Asian Paints Pvt Ltd' (50:50 JV between Asian Paints and PPG Inc, USA, one of the largest automotive coatings manufacturer in the world) to service the increasing requirements of the Indian automotive coatings market.

# Products and Services

## OUR OFFERINGS

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### Products

- Paints • Chemicals • Wall Coverings • Textures Painting Aid
- Waterproofing solutions • Wall Stickers • Mechanised Tools
- Adhesives • Modular Kitchens and Wardrobes • Bath Fittings and Sanitaryware • Sanitizers and Surface Disinfectants
- Furniture, Furnishings and Lightings

### Services

- Home Painting Services • Interior Design Services
- Experience Retail Stores • Colour Consultancy
- Projects • Sanitization services



# INDUSTRY

The Paints & Coatings market is projected to grow from USD 184 Billion in 2021 to USD 212 Billion by 2026, at a CAGR of 2.9% between 2021 and 2026.

Architectural end-use industry segment is the largest segment of the Paints & Coatings market. Architectural paints & coatings, also known as decorative paints & coatings or building paints, are applied to the interior and exterior walls of all types of residential, commercial, industrial, and institutional buildings. Apart from their decorative features, architectural paints & coatings also possess some protective features. For instance, exterior architectural paints & coatings protect a building from extreme rain, sunlight, and wind.

Architectural coatings also find use in decorative interiors such as furniture, wood flooring, wall paintings, and sculptures. An increase in environmental awareness among consumers and manufacturers has led to technological innovations in the coating industry to provide quality products that are affordable, of high quality, possess value-added features, and meet the global trends. Similarly, growing safety standards will raise the demand for waterproof and fireproof coatings for buildings.

The market will also be fueled by the rapidly rising household income and the fast-growing demand from smaller towns and rural areas because of increased customer awareness.

## HISTORY

### When the British Banned Imports, India's Largest Paint Company was Born

In 1942, when thousands of Indians were writing a glorious chapter in India's freedom struggle through the civil disobedience movement, four friends in Bombay (now Mumbai) were setting up a paints manufacturing company in a tiny garage.

The idea was born after the British placed a temporary **ban on importing paints**, which left the country with very limited options – it was either Shalimar Paints or expensive foreign brands. So, Champaklal Choksey, Chimanlal Choksi, Suryakant Dani, and Arvind Vakil decided to enter a less explored territory and translate their ambitions into reality with 'Asian Oil and Paint Company Private Limited'.

In 1945 the company invented tiny paint packets as opposed to the giant tins to simplify and speed up the distribution process across the country. It tied up with small distributors in every corner. This strategy helped them pick a steady pace and by 1952, the annual turnover of Asian Paints was Rs 23 crore, a sum that was considered to be huge back in the day.

## Identifying gaps and opportunities

A company can start with a bang wherein it has innovated very nice product in the beginning but if it fails to innovate and adapt to new technological environment then it may lose the lead it created in the market. The strength of the Asian Paints lays in identifying consumption trends and patterns early and devising strategies around them.

One of the initial strategy of Asian Paint was when all the paint companies were focusing on big containers of paints, the promoters strategized to enter an untapped area where no one was concentrating. During the Pongal festival in Tamil Nadu and the Bail Pola festival in Maharashtra, villagers worship their bulls and paint their horns. Choksey noticed that these festivities brought with it a unique demand for bright colour paints in small quantities, 50-100 ml packs. He saw this opportunity and succeeded in breaking into the market.

Similarly, the bottom panel of the front doors of homes in Tamil Nadu have small strips painted in red or yellow which is considered auspicious. This was yet another market for Asian Paints.

In 1965 they changed the name to Asian Paints Limited

Driven by its strong consumer-focus and innovative spirit, the company has been the market leader in paints since 1967. Today, it is double the size of any other paint company in India.

Whether it was getting listed in 1982, coming up with its first-ever TV commercial in 1984 or establishing call centre operations and a website as early as 1998-99, Asian Paints has always stayed ahead of time by anticipating the future trends.

In 2001, Asian Paints acquires Berger International Singapore and Scib Paints Egypt.

# Management

Leading the journey  
to achieve long-term  
success



**ASHWIN DANI**  
Non-Executive Chairman

**MANISH CHOKSI**  
Non-Executive Vice-Chairman



**ABHAY VAKIL**  
Non-Executive Director

**AMIT SYNGLE**  
Managing Director & CEO

**MALAV DANI**  
Non-Executive Director

**AMRITA VAKIL**  
Non-Executive Director

**JIGISH CHOKSI**  
Non-Executive Director

**DEEPAK SATWALEKAR**  
Independent Director



**Dr. S SIVARAM**  
Independent Director

**M K SHARMA**  
Independent Director

**VIBHA PAUL RISHI**  
Independent Director

**R SESHASAYEE**  
Independent Director

**SURESH NARAYANAN**  
Independent Director

**PALLAVI SHROFF**  
Independent Director

# Strategies

The Asian Paints mainly focus on two areas:

## **Product Innovation**

Anti-asthma paints : It focus on more safety and health requirements. The odour of paint is very strong for asthmatic patients. It is very difficult for such patient to stay in a room that is newly painted.

Anti-corrosive paints : With more and more of newer technology coming in telecom sector especially fibre optic cables are mainly used for 4G and 5G technology. These fibre optic cables are sometimes laid down beneath the land surface and some beneath the sea. A wire can easily get corroded inside water. So these paints are applied on the wire to protect them from rust.

Natural paint : More organic paints are also being introduced

## **Technology**

They have installed the same software (SAP H4 HNA) across all the manufacturing facilities across the globe. They use the latest technology for research and development. It helps the company in resource allocation and product optimization. It is also used for demand forecasting and improving service levels across the supply chain.



## Wide presence across the globe

Our operations encompass 14 countries of the world with considerable presence in South Asia and the Middle East. We are leveraging our experience and expertise to drive higher growth in the markets where we are present.



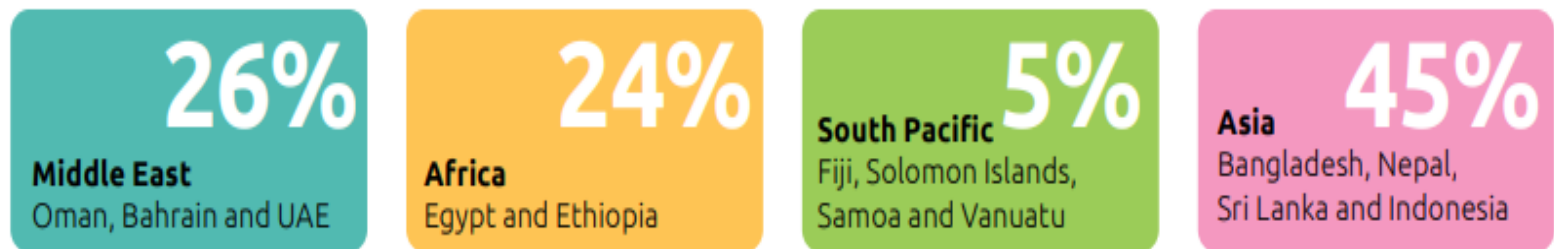
## International Operations

**BERGER PAINTS** : Berger paints India is completely different from Berger Paints Singapore. Asian Paints holds 96.84% shares in Berger Paints Singapore.

### BRANDS



### REGION-WISE REVENUE FROM INTERNATIONAL OPERATIONS (%)



# Competitive Advantage

## Investment in Technology

How could a paint company possibly anticipate what paint it would need to supply? Would the deliveries be demand-based? But that would cause a delay and could potentially hamper the consumer's experience with Asian Paints. The deliveries would have to be pre-emptive.

The whims of humans are unknown to even the real ones; how could a legally created artificial one predict them? The answer is simple. It couldn't. Tech, however, was leagues ahead and the next step.

This is where the prime paint producer brought in a programmable powerhouse in the pigment play.

In the year 1970 Asian Paint, for a grand sum of ₹8 crore, bought a **supercomputer**, the first Indian company to buy. This was 10 years before ISRO and IIT Powai (the places you'd expect a supercomputer to be) and 22 years before any other company would do the same. Putting aside the sheer pioneering in technology, the supercomputer turned into a goldmine of insight, giving Asian Paints a look into **consumer buying habits** based on past habits.

This supercomputer didn't just focus on the colours that would be demanded, but the can sizes, paint base types as well as the quantity of the colours being bought. Each purchase added to the data pool the computer drew from, bolstering the accuracy of the predictions.

Asian Paints' secret to its 60+ years-long success is, foraying into the IT sector. The introduction and usage of trend-based data was not just useful for the distribution process but also had far-reaching effects into the pre-production process of procurement of raw materials and the production process itself. Knowing exactly what was to be sold meant knowing precisely what was to be produced as well.

## Diversification

The benefit that it accrued to itself with tech wasn't the only lead it took. The company is now expanding in all the possible horizons and diversifying its production to make forays into the related areas such as interior coating, kitchen solutions, bath fittings, adhesive and water proofing solutions. It has entered Home Decor segment offering lightings, furnishings and furniture, along with end-to-end design to execution services under this segment. It is not just a paint company but also diversifying its products and services portfolio in accordance with the database of the customers needs and demand. Vertical integration has seen Asian Paints diversify into chemical products such as Phthalic Anhydride and Pentaerythritol, which are used in the paint manufacturing process. The company has discontinued production of Phthalic Anhydride from end of July 2017. This gives Asian Paints lead over its competitors in many ways.

## Manufacturing supply chain (Logistics)

Traditionally paint manufacturers would sell their paints to wholesalers or distributors, who would then sell to the retailers to bring paint to the end-user. This system, while effective, would cost manufacturers about 15-20% of their margin to pay the middlemen. In an industry where the prices wouldn't change because the companies couldn't change them, Asian Paints created profits by changing its cost. Now instead of the 15-20% of its margin going to the distributors of the supply chain, Asian Paints saved its cost to wholesalers and started delivering paints itself, as a result, increased its profit. Asian Paints now earned 97% of its MRP, and the remaining 3% went to the retail seller, compared to the competitors who earned only 60-70% of their MRP due to middlemen.

The cost saved by removing the middlemen caused distress among the retailers as they couldn't keep such high inventories. Wholesalers were the infrastructural aid to store inventory in large capacities.

Asian Paints, continuing its revolutionary idea, decided to alleviate the storage issue by distributing the paint itself. The decision was not to make the retailers maintain a significant inventory but to keep restocking them at a high frequency.

Mainframe computer was used for demand forecasting and improving service levels across the supply chain. This was the start of continuous investment and improvement of supply chain efficiency - the single largest driver of competitive advantage for Asian Paints till date.

## Advertisement

The process of painting one's house was made an emotional process than a purely mechanical one by the strong ad campaign by Asian Paints. These ads made painting one's home a festive affair, whether it would be widespread phenomena like Diwali or Pongal or a personal celebration like childbirth or marriage. Painting wasn't just pigments and colours anymore, it was the reflection of the homeowner's personality.

These advertisements also opened the eyes of customers to a broader selection of colours, creating accelerated demands as more colour combinations were made possible now. But these were the changes that made "decorative coating" a customer-centric process. Asian Paints changed the paint and pigment industry from a commodity-led industry to a consumer-centred industry. This change, however, created greater opportunities for the industry altogether. Asian Paints wouldn't solely benefit from these changes.



## Category wise shareholding as on 31<sup>st</sup> March, 2021

### Category wise shareholding (%)



# Peer comparison

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1.	Asian Paints	2708.45	85.68	259793.93	0.66	1015.69	-17.98	8527.24	25.61	34.81
2.	Berger Paints	628.75	74.41	61071.96	0.45	252.72	-8.03	2550.77	20.42	27.32
3.	Kansai Nerolac	430.80	50.65	23216.66	0.75	128.03	-37.18	1810.35	13.68	17.73
4.	Akzo Nobel	1826.70	28.72	8318.85	2.74	83.82	-4.06	914.34	18.03	21.94
5.	Indigo Paints	1520.30	97.31	7231.91	0.00	24.30	29.39	265.46	26.63	24.65

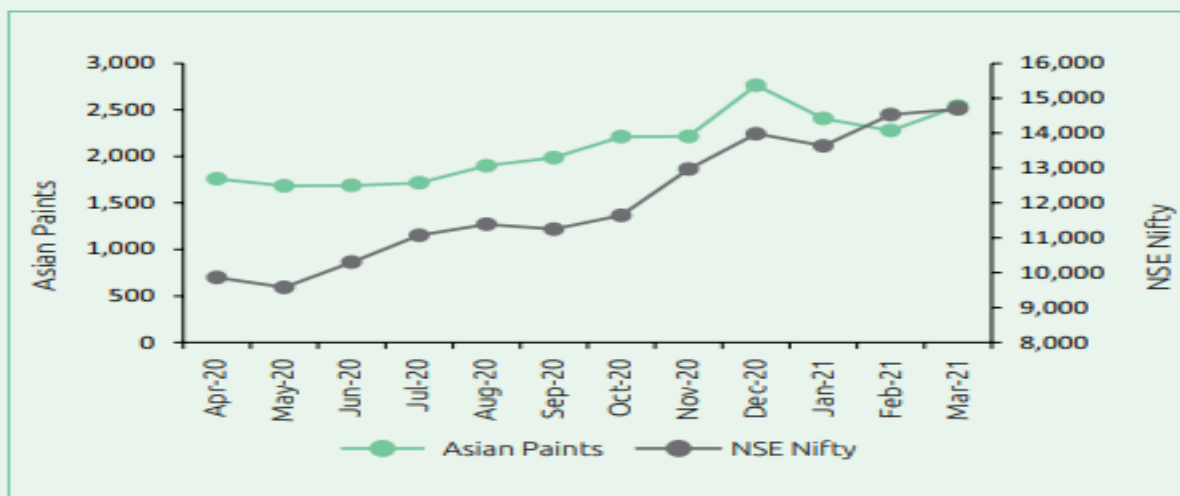
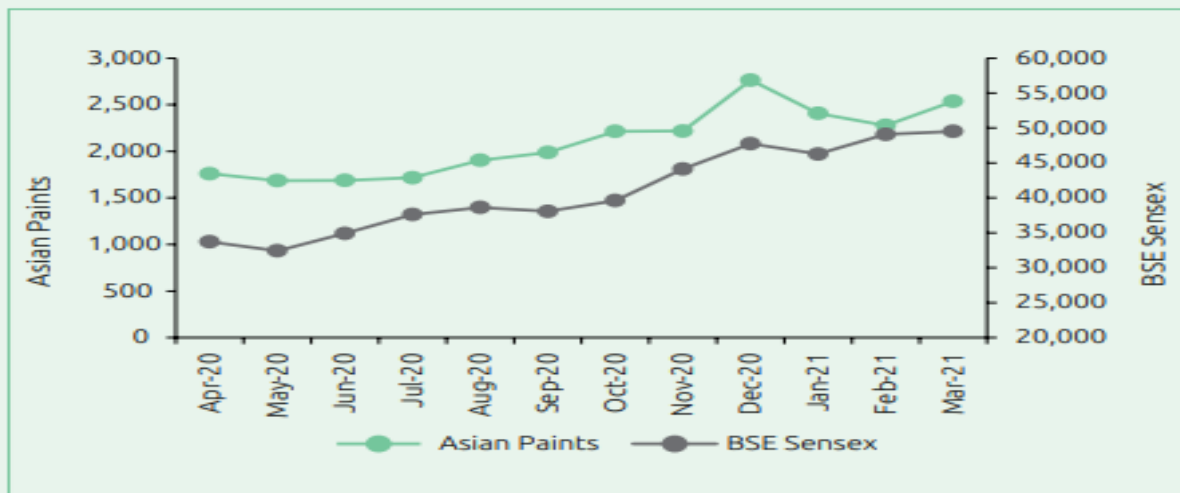


Currently, the paint industry is being led by three major players, namely, Asian Paints, Berger Paints, Kansai Nerolac Paints. Asian Paints is more than 5 times bigger than the next in line. When it comes to the paints and pigments industry, the companies are not price makers. With similar production techniques, unchanged chemical compositions and no major disruption, the competitors are too similar to warrant the strength to set distinct prices for their products. The efficiency with which they're able to manage the supply chain, the rest of the competitors aren't on the same level, Berger Paints may be the closest in this aspect.

The domestic decorative business more than doubled its volume and delivered stellar revenues over the lower base of last year, which had suffered from the first nationwide lockdown

Recently, JK Cements has announced plans to enter the paint business. Prior to it, JSW Group also marked its entry in the arena, increasing the number of organised players.

# STOCK PERFORMANCE IN COMPARISON TO BROAD-BASED INDICES



# KEY RISKS

## Crude Oil Prices

India used to import crude oil mainly from Iran as it is the largest producer of crude oil and provides oil at the cheapest rates. But the tensions between US and Iran led to sanctions on imports from Iran. This led to increase in input cost for Asian Paint in India as Iran used to provide oil at cheaper rates.

Shares of paint companies such as Asian Paints, Berger Paints, among others, have lost up to 18 per cent as Brent crude oil prices zoomed to fresh highs, threatening to eat into the profits of these firms. Crude oil constitutes nearly half of the raw materials used in the manufacturing process of the paint companies, and hence a rally in oil prices will shrink their margins. Any increase in oil prices raises input costs, thus decreasing profitability and margins for paint companies.

The ongoing Russia-Ukraine war has pushed Brent crude prices to a fresh high of \$130.89 per barrel on 8 March 2022, a leap of over \$10 per barrel against 4 March close of \$118.03. Brent crude price, which stood at around \$106 per barrel before the Russian invasion of Ukraine on February 24, has surged 23.48 per cent to \$130.89 per barrel. However, Brent crude rates are still distant of all-time high of \$147.50 hit in July 2008.

The large cap stock, Asian Paint which stood at Rs 3,172.65 on February 28, fell to an intraday low of Rs 2,601 on BSE on 8 March 2022. The share slipped 5.04 per cent intraday to Rs 2,601 against the previous close of Rs 2738.95 on BSE. The stock is down 20.84 per cent in 2022 but has gained 12.17 per cent in last one year.

## Rising competition

Rising competition is another headwind for the paint companies as other corporates like Grasim, JSW Steel, JK Cement and more are entering into the paint business.

However, the outlook for the industry is still promising despite near term jitters. Asian Paints may continue to outperform the recent correction due to rise in crude oil prices amid Russia-Ukraine war.

## Automotive sector.

The automotive coatings business was impacted by the challenges facing the automotive sector.

## International Business and foreign exchange

The company said its international business registered a 9 per cent value growth and was impacted by sluggish market conditions in most of the units in the Middle East and specific challenges such as civil unrest in Ethiopia and the forex crisis in Sri Lanka. In India as well foreign exchange is used to pay for crude oil imports. Any changes in foreign policy impacts profits.

## Coronavirus pandemic

There had been a re-imposition of restrictions on business activity in many states and this had again disrupted operations of vast supply chain network. Demand also shrank due to coronavirus pandemic during which people delay purchases as home renovation is not a priority at that time.

# OPPORTUNITIES

The government has been pushing affordable housing across the country. It has taken certain measures in the recent years including **Pradhan Mantri Awas Yojana and Smart City Mission**. These measures, would provide boost to demand and supply of housing, in turn aiding growth of concrete and paintable houses in India. In next 4-5 years, these houses will enter the re-painting cycle.

For the industry metros and tier I areas contribute around 25 percent in value terms with the smaller towns (tier II, III, IV cities) and rural areas contributing the balance 75 percent. For the past few years, demand in smaller cities and towns has been growing at a faster pace than metro and tier I cities. Rise in disposable income, incremental consumption expenditure, increase in awareness, development of rural markets and various launches have fueled the paint industry growth.

# FINANCIALS

## BALANCE SHEET

		(₹ in Crores)	
	Notes	As at 31.03.2021	As at 31.03.2020
<b>ASSETS</b>			
<b>Non-Current assets</b>			
Property, Plant and Equipment	2A	4,476.35	4,764.76
Right of Use Assets	2B	845.55	920.09
Capital work-in-progress		182.98	140.24
Goodwill	3A	302.63	319.99
Other Intangible Assets	3B	233.99	267.47
Investments in Associates	4	483.90	456.63
Financial Assets			
Investments	4	985.78	1,049.74
Trade Receivables	6	2.89	4.21
Loans	5	61.89	68.24
Other Financial Assets	7	532.17	248.31
Deferred Tax Assets (Net)	21C	14.28	16.80
Current Tax Assets (Net)	9	152.23	253.09
Other Non-Current assets	10	68.38	65.09
		<b>8,343.02</b>	<b>8,574.66</b>
<b>Current assets</b>			
Inventories	11	3,798.60	3,389.81
Financial Assets			
Investments	4	3,267.12	512.48
Trade Receivables	6	2,602.17	1,795.22
Cash and Cash Equivalents	8A	346.39	563.83
Other Balances with Banks	8B	264.36	219.00
Loans	5	17.59	18.67
Other Financial Assets	7	1,179.65	781.65
Other Current Assets	10	537.23	285.59
Assets classified as Held for Sale	12	13.49	13.86
		<b>12,026.60</b>	<b>7,580.11</b>
<b>Total Assets</b>		<b>20,369.62</b>	<b>16,154.77</b>

**EQUITY AND LIABILITIES****Equity**

Equity Share Capital	13	95.92	95.92
Other Equity	14	12,710.37	10,034.24
<b>Equity attributable to owners of the Company</b>		<b>12,806.29</b>	<b>10,130.16</b>
Non-Controlling Interests	14	422.86	403.53
		<b>13,229.15</b>	<b>10,533.69</b>

**Liabilities****Non-Current Liabilities**

## Financial Liabilities

Borrowings	15	14.53	18.63
Lease Liabilities	16	561.36	589.94
Other Financial Liabilities	17	3.38	2.94
Provisions	18	215.21	180.75
Deferred Tax Liabilities (Net)	21C	415.59	443.80
Other Non-current Liabilities	19	4.54	4.64
		<b>1,214.61</b>	<b>1,240.70</b>

**Current Liabilities**

## Financial Liabilities

Borrowings	15	325.70	321.48
Lease Liabilities	16	183.18	173.87
Trade Payables			
Total Outstanding dues of Micro Enterprises and Small Enterprises	20	91.53	60.72
Total Outstanding dues of creditors other than Micro Enterprises and Small Enterprises	20	3,287.19	2,075.85
Other Financial Liabilities	17	1,603.02	1,374.34
Other Current liabilities	19	229.58	131.61
Provisions	18	84.43	62.46
Current Tax Liabilities (Net)	22	121.23	180.05
		<b>5,925.86</b>	<b>4,380.38</b>

**Total Equity and Liabilities****20,369.62**      **16,154.77**

# Statement of Profit and Loss for the year ended 31st March, 2021

(₹ in Crores)			
Particulars	Notes	Year 2020-21	Year 2019-20
<b>REVENUE FROM OPERATIONS</b>			
Revenue from Sale of Products	23A	21,440.24	20,025.96
Revenue from Sale of Services	23A	44.96	22.36
Other Operating Revenue	23A	227.59	162.93
Other Income	24	303.05	304.31
<b>Total Income (I)</b>		<b>22,015.84</b>	<b>20,515.56</b>
<b>EXPENSES</b>			
Cost of Materials Consumed	25A	10,317.09	10,091.78
Purchases of Stock-in-Trade	25B	1,872.59	1,530.83
Changes in inventories of finished goods, Stock-in-Trade and work-in-progress	25C	(92.45)	(239.15)
Employee Benefits Expenses	26	1,540.75	1,366.09
Other Expenses	27	3,219.21	3,299.93
<b>Total Expenses (II)</b>		<b>16,857.19</b>	<b>16,049.48</b>
<b>EARNING BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA) (I-II)</b>			
Finance Costs	28	91.63	102.33
Depreciation and Amortisation Expense	29	791.27	780.50
<b>PROFIT BEFORE SHARE OF PROFIT IN ASSOCIATE</b>		<b>4,275.75</b>	<b>3,583.25</b>
<b>SHARE OF PROFIT IN ASSOCIATE</b>	35	<b>28.60</b>	<b>50.74</b>
<b>PROFIT BEFORE TAX</b>		<b>4,304.35</b>	<b>3,633.99</b>



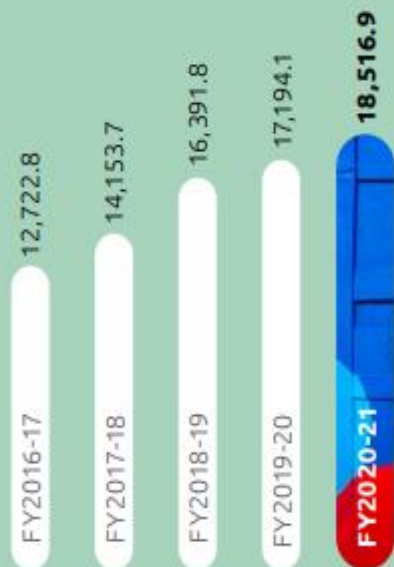
Tax Expense	21		
(1) Current Tax		1,114.02	944.65
(2) Short tax provision for earlier years		7.74	5.48
(3) Deferred Tax		(24.16)	(95.28)
<b>Total tax expense</b>		<b>1,097.60</b>	<b>854.85</b>
<b>PROFIT FROM CONTINUING OPERATIONS</b>		<b>3,206.75</b>	<b>2,779.14</b>
(Loss)/Profit before tax from discontinued operations		-	(5.73)
Tax (benefit)/ expense of discontinued operations		-	(0.78)
<b>(LOSS)/PROFIT FROM DISCONTINUED OPERATIONS</b>	32	<b>-</b>	<b>(4.95)</b>
<b>PROFIT FOR THE YEAR</b>		<b>3,206.75</b>	<b>2,774.19</b>
<b>OTHER COMPREHENSIVE INCOME (OCI)</b>			
(A) Items that will not be reclassified to Profit or Loss			
(a) (i) Remeasurement of the defined benefit plans (Refer note 33)		(6.24)	(11.61)
(ii) Income tax benefit relating to remeasurement of defined benefit plans		1.79	1.19
(b) (i) Net fair value gain on investments in equity instruments through OCI		57.26	66.44
(ii) Income tax (expense) on net fair value gain on investment in equity instruments through OCI		(4.88)	(8.71)
(c) Share of OCI in associate		0.73	0.06
(B) Items that will be reclassified to Profit or Loss			
(a) (i) Net fair value gain on investment in debt instruments through OCI		2.41	2.81
(ii) Income tax (expense) on net fair value gain on investment in debt instruments through OCI		(0.28)	(0.32)
(b) Exchange difference arising on translation of foreign operations		(56.47)	8.45
<b>Total Other Comprehensive Income (A+B)</b>		<b>(5.68)</b>	<b>58.31</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>3,201.07</b>	<b>2,832.50</b>

# Cash Flow Statement

	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Mar 2021
Cash from Operating Activity +	2,243	1,527	2,113	2,470	3,038	3,683
Cash from Investing Activity +	-866	-681	-1,556	-918	-518	-541
Cash from Financing Activity +	-849	-756	-1,379	-1,117	-2,871	-650
<b>Net Cash Flow</b>	<b>528</b>	<b>90</b>	<b>-822</b>	<b>434</b>	<b>-351</b>	<b>2,492</b>

### Revenue from operations

(₹ in Crores)

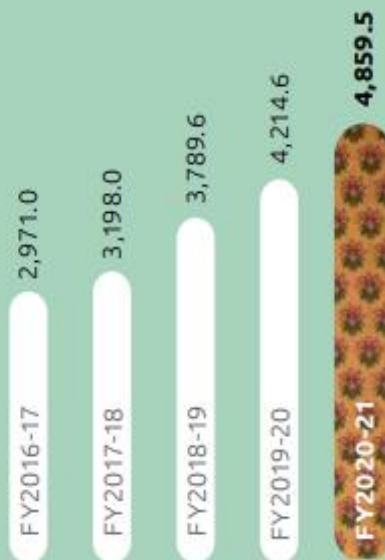


9.4%  
5-year CAGR

7.7% ↑

### EBITDA

(₹ in Crores)



12.3%  
5-year CAGR

15.3% ↑

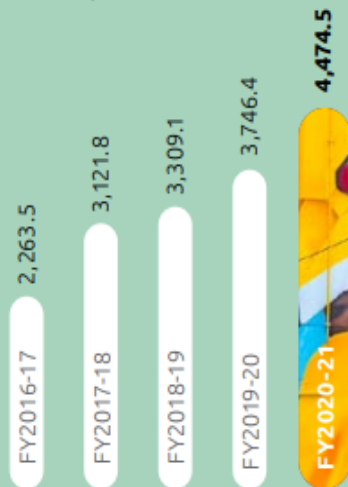
### EBITDA margin

(%)



### Cash generated from operations

(₹ in Crores)

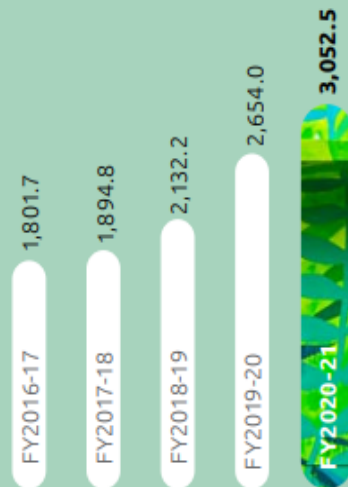


10.3%  
5-year CAGR

19.4% ↑

### Profit After Tax (PAT)

(₹ in Crores)

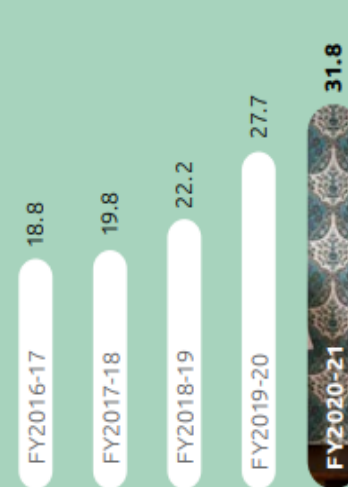


13.5%  
5-year CAGR

15.0% ↑

### Earnings per share (EPS)

(in ₹)



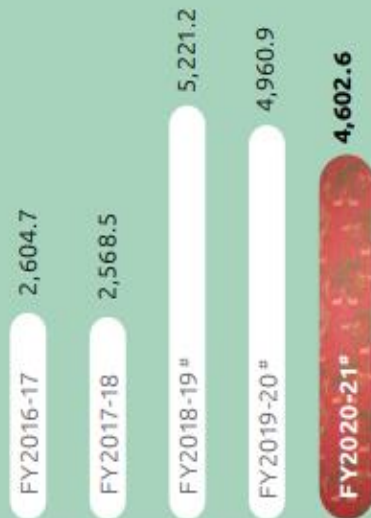
13.5%  
5-year CAGR

15.0% ↑

## BALANCE SHEET METRICS

### Net fixed assets

(₹ in Crores)



8.9%\*

5-year CAGR

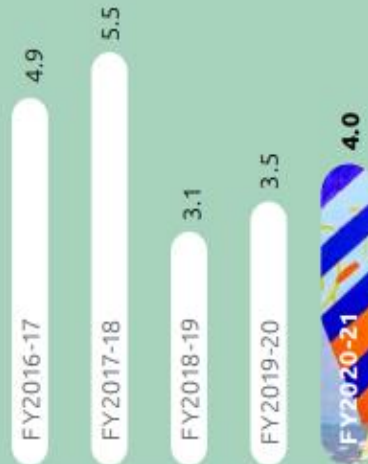
-7.2% ↓

<sup>#</sup> includes impact of Ind AS 116 - Leases and addition of new plants in Mysuru and Visakhapatnam

\* Excludes impact of Ind AS 116 - Leases

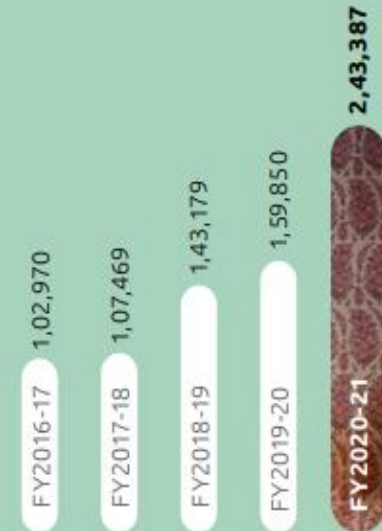
### Asset turnover ratio

(x times)



### Market capitalisation

(₹ in Crores)



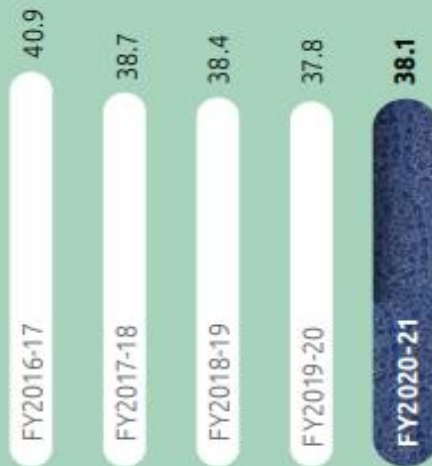
23.9%

5-year CAGR

52.3% ↑

### Return on Capital Employed (ROCE)

(%)



### Average capital employed

(₹ in Crores)



14.3%  
5-year CAGR

17.8% ↑

Compounded Sales Growth	
10 Years:	11%
5 Years:	9%
3 Years:	9%
TTM:	41%

Compounded Profit Growth	
10 Years:	14%
5 Years:	13%
3 Years:	15%
TTM:	10%

**Sales growth:** - Asian Paints has reported revenue growth of 5.68 % which is poor in relation to its growth and performance.

But if we look at Asian Paints revenue growth of the last 40-45 years, every decade their revenue growth has been consistently more than 10%. It was 18% from 1982-1992, 17% from 1992-2002, 20% from 2002-2012 and 11% from 2012-2021. The sales dropped the highest in 2012-2021 due to coronavirus pandemic during which people delay purchases as home renovation is not a priority at that time.

Asian Paints has been a consistent compounder over the years.

## Key Ratio Analysis

Return on Equity	
10 Years:	28%
5 Years:	26%
3 Years:	26%
Last Year:	27%

**Return on equity:** - ROE measures the ability of a firm to generate profits from its shareholders investments in the company. In other words, the return on equity ratio shows how much profit each rupee of common stockholders' equity generates. Asian Paints has a ROE of 28.34 % .(higher is better)

**Current ratio:** - The current ratio measures a company's ability to pay its short-term liabilities with its short-term assets. A higher current ratio (i.e. more than 1) is desirable so that the company could be stable to unexpected bumps in business and economy. Asian Paints has a Current ratio of 2.18 that is good.

Company is almost **debt free**.

Company has been maintaining a healthy **Dividend Payout of 47.94%**



**Inventory ratio:** - Inventory Turnover ratio is an activity ratio and is a tool to evaluate the liquidity of a company's inventory. It measures how many times a company has sold and replaced its inventory during a certain period of time. Asian Paints has an Inventory ratio of 134 days which shows that the management is efficient in relation to its Inventory and working capital management. Efficient asset utilisation and working capital management is driving strong Free Cash Flow (FCF) generation. The approach is to generate adequate demand in the market so that dealers can rotate their inventory faster and thus operate on a lower credit period with Asian Paints and to increase the credit granted by creditors. The latter is done by leveraging the long-term relationships with vendors and suppliers built on a solid foundation of trust through timely repayment of dues. On the inventory management front, company focused on reducing generation of dead, damaged and defective materials.

**Return on Assets (ROA):** - Return on Assets measures how effectively a company can earn a return on its investment in assets. In other words, ROA shows how efficiently a company can convert the money used to purchase assets into net income or profits. Asian Paints has ROA of 19.59 % which is a good sign for future performance.

**Working Capital Days** : - Working Capital Days has increased from 30 days in March 2019 to 46 days in March 2021. Working capital days describes how many days it takes for a company to convert its working capital into revenue. The more days a company has of working capital, the more time it takes to convert that working capital into sales. The higher the days working capital number the less efficient a company is.

Asian paints is continuously trying to improve working capital days by Increasing credit grant period for outstanding payment to vendors and Efficient debtor management by ensuring swift collection from customers by introducing new credit terms to encourage customers to make timely payments.

The working capital management of Asian Paints is far better than its competitors which is apparent in its Inventory days and Debtor days. The debtor days of Asian Paints were 44 days for the year ending March 2021.

# Conclusion

Asian Paints is a Consistent Compounder. We are able to observe Consistency in the financial numbers for last 40-45 years. Market rewards consistency. As there is a saying that “The real risk is the volatility of Cash Flows” and this means that “The real safety is Consistency of Cash Flows”.

Asian Paints may continue to outperform and the recent correction due to rise in crude oil prices amid Russia-Ukraine war is providing a favourable risk-reward opportunity for the long term investors.

Buy Asian Paints and hold for long term.