

MARKET CAP: 2.80 trillion
CMP: 2919.00

RESEARCH REPORT

Prepared by:-
Hargun Wadhwa
(Junior analyst)



INTRODUCTION

- The company has come a long way since its small beginning in **1942**. Four friends who were willing to take on the world's biggest, most famous paint companies operating in India at that time set it up as a partnership firm. Over the course of 25 years, Asian Paints became a corporate force and India's leading paints company. Driven by its strong consumer-focus and innovative spirit, the company has been the market leader in paints since 1967.
- Asian Paints is India's leading paint and decor company and ranked among the top ten Decorative coatings companies in the world with a consolidated turnover of **₹ 345 billion**. The company is ranked 2nd in Asia and 8th amongst the top coating's companies in the world.
- The Asian Paints group has an enviable reputation in the corporate world for professionalism, fast track growth, and building shareholder equity. Asian Paints operates in 15 countries and has 27 paint manufacturing facilities in the world servicing consumers in over 60 countries.
- Besides Asian Paints, the group operates around the world through its subsidiaries - Asian Paints Berger, Apco Coatings, SCIB Paints, Taubman's, Asian Paints Causeway and Kadisco Asian Paints. In the Industrial coatings space, Asian Paints operates through two 50:50 joint ventures with PPG Inc, USA., one of the largest automotive coatings manufacturer in the world.
- The first Joint Venture 'PPG Asian Paints Pvt Ltd' services the increasing requirements of the Indian automotive coatings market.

HISTORY OF THE COMPANY

The company has come a long way since its small beginnings in 1942. It was set up as a partnership firm by four friends who were willing to take on the world's biggest, most famous paint companies operating in India at that time. Over the course of 25 years, Asian Paints became a corporate force and India's leading paints company. Driven by its strong consumer-focus and innovative spirit, the company has been the market leader in paints since 1967. Asian Paints manufactures a wide range of paints for decorative and industrial use and also offers Wall Coverings, water proofing, adhesives and services under its portfolio. The company is also present in the Home Improvement and Decor segment and offers bath and kitchen products. The company also introduced lightings, furnishings and furniture in its portfolio.

- **1942:** Asian Paints is founded in Bombay (now Mumbai) by four visionary friends.
- **1945:** Company was established under the name Asian Oil and Paint Company Pvt. Ltd., initially focusing on surface coatings and latex for rubber tires.
- **1965:** The company changed its name to Asian Paints (India) Pvt. Ltd.
- **1973:** Asian Paints was converted into a Public Limited Company.
- **1975:** Bonus [equity shares](#) were issued to shareholders.
- **1985:** Expansion continued with new paint units in Patancheru and collaboration with Nippon Paints for powder coatings.
- **1987:** Asian Paints ventured into synthetic rubber lattices production and obtained a letter of intent for phthalic anhydride manufacturing.

BOARD OF DIRECTORS



AMIT SYNGLE
(Managing director & CEO)



R SESHASAYEE
(Non-Executive
Chairman)



MALAV DANI
(Non-Executive Director)



MANISH CHOKSI
(Non-Executive
Vice Chairman)



AMRITA VAKIL
(Non-Executive Director)



JIGISH CHOKSI
(Non-Executive Director)



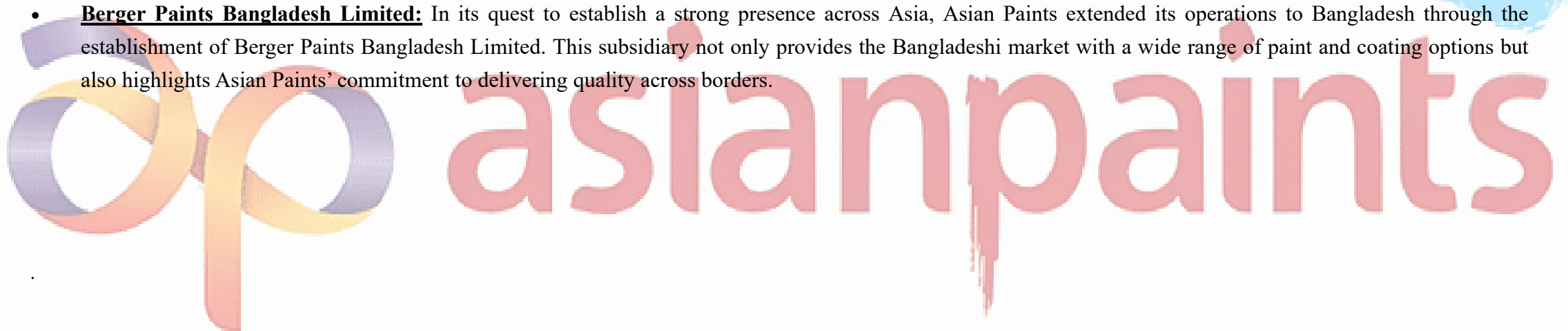
IREENA VITTAL
(Independent Director)



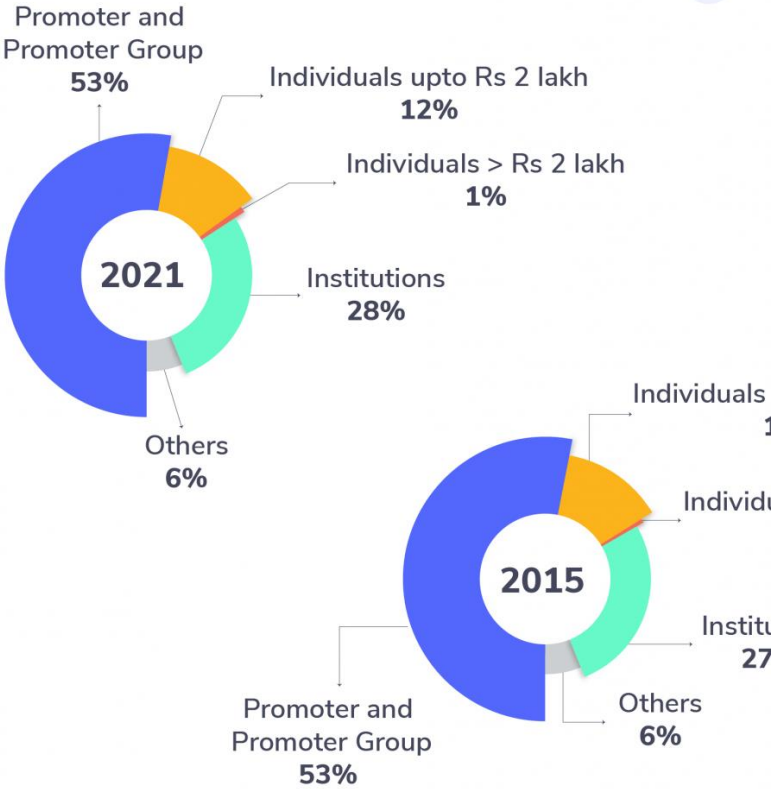
SOUMITRA BHATTACHARYA
(Independent Director)

MAJOR SUBSIDIARIES

- **Berger International Limited:** The company commands a substantial market presence in countries spanning from Singapore to Russia, and from Poland to the Middle East. Its acquisition by Asian Paints has added significant value and has enhanced the company's global reach.
- **APCO Coatings:** This subsidiary specialises in protective coatings customised for a diverse range of applications . It primarily serves the automotive, construction, and marine sectors, it is renowned for its commitment to durability and quality. Their products play a crucial role in safeguarding various industrial and commercial assets against wear and tear.
- **SCIB Paints:** Marking Asian Paints' strategic entry into the Egyptian market, the acquisition of SCIB Paints has been vital. SCIB Paints, as a brand, stands tall in Egypt, highly regarded for the quality and durability of its products. The association with Asian Paints has only strengthened this legacy, offering the Egyptian market a blend of local expertise and global quality standards.
- **Berger Paints Bangladesh Limited:** In its quest to establish a strong presence across Asia, Asian Paints extended its operations to Bangladesh through the establishment of Berger Paints Bangladesh Limited. This subsidiary not only provides the Bangladeshi market with a wide range of paint and coating options but also highlights Asian Paints' commitment to delivering quality across borders.

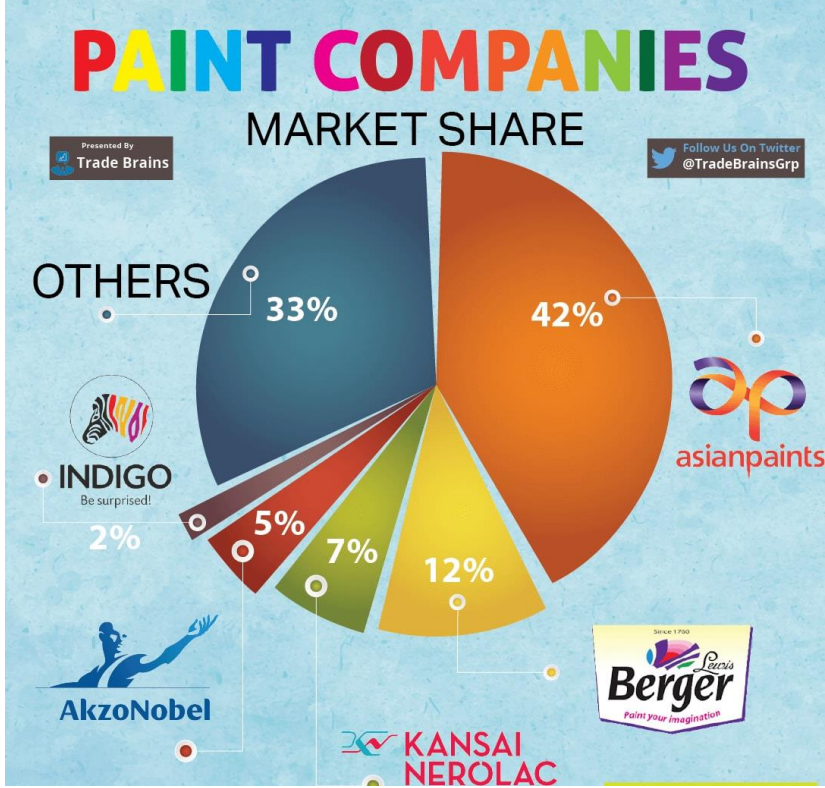
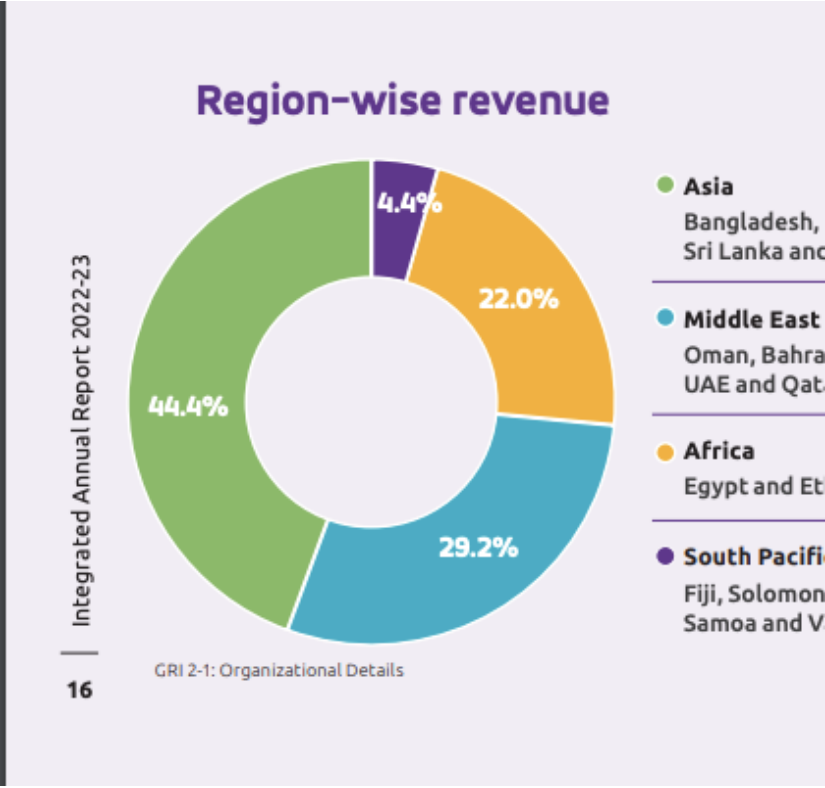


Shareholding Pattern of Asian Paints



INDUSTRY OVERVIEW

- 42% market share of the Indian Paints Industry is dominated by Asian Paints, which makes it a leader of the industry, followed by Berger Paints (12%), Kansai Nerolac (7%), Akzo Nobel (5%) and Indigo Paints (2%). 33% of the market share is acquired by other small and unorganised players.



Product pricing

Asian Paints offers a wide range of products at various price points depending on the type of paint, finish, features, and container size. Here's a general idea:

Interior Paints:

- **Budget-friendly:** Tractor Emulsion (₹134/L)
- **Mid-range:** Royale Aspira (₹230/L - ₹2820/L)
- **Premium:** Royale Play Stucco (₹487/L), Royale Shyne (₹471/L)
- **Exterior Paints:**
- **Budget-friendly:** Ace (₹253/L - ₹334/L)
- **Mid-range:** Apex (₹494/L - ₹4789/L)
- **Premium:** Apex Ultima (₹700/L - ₹12,480/L)

Other factors affecting price:

- **Finish:** Glossy finishes tend to be more expensive than matte finishes.
- **Features:** Paints with special features like waterproofing or stain resistance will cost more.
- **Container size:** Larger containers are usually more cost-effective per litre.

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CLIENT ADVANTAGE OF ASIAN PAINTS

- Without the proper tools, no craft is complete. You don't have to worry about this when hiring professional house painters because they are skilled and knowledgeable in every aspect of their work. Following established procedures and utilizing the appropriate equipment are equally crucial for producing high-quality paintings. Expert painters guarantee that the right brushes are used with the right paint kind, and they offer comprehensive advice on both, resulting in a satisfactory finish.
- Any space's overall atmosphere can be directly influenced by color. As a result, the colors around you can greatly impact how you feel. For instance, a bright yellow color might convey a joyful and energetic atmosphere. Therefore, mixing the wrong hues might have a negative effect on a space's aesthetic. The top house painters provide appropriate advice on color schemes depending on your personality and the environment. You would want to make a welcoming environment for your family and yourself, after all.
- Painting at home is a talent that must be developed; it is a technique that requires a great deal of practice and expertise. Because they operate in a variety of environments with a wide range of requirements every day, the employees of any professional paint agency frequently prove to be the greatest house painters. They have a lot of tricks up their sleeves to speed up the process because they work on so many projects every day. As a result, they guarantee project completion on schedule without sacrificing the caliber of their painting solutions.
- Deviations in paint quality are likely to occur over time. Here's where you can shield your wallet from needless costs with a service warranty. Locals either charge more or many choose not to return at all. Similar to this, house painting services assume responsibility and offer a service guarantee good for many days following the completion of the work. Reach out with a single call for any complaints, and you can be confident that your walls will be restored to their previous condition.

ASIAN PAINTS ASSOCAITED COMPANIES



Slazak
by
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KITCHENS • WARDROBES



WT
THE WHITE TEAK COMPANY
A Luxury Home Affair
SHOP NOW



Weatherseal®
Stylized to Perfection
European Windows and Doors
by
asianpaints

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SWOT ANALYSIS

Strengths

1. The largest paint company in India and 2nd largest in Asia
2. More than 50% of market share in decorative paints and are strong competitors to Nerolac in Industrial paints & coatings.
3. Operations in 19 countries with 26 manufacturing facilities providing service to 65 countries across the world.
4. Strong international presence with its 4 subsidiaries; Berger International Limited, Apco Coatings, SCIB Paints and Taubmans.
5. Strong distribution and logistic network across geographies using modern material storage and handling technologies
6. Dedicated research and technology facility with over 150 scientists

Weakness

1. Limited market share in industrial paints segment with Kansai Nerolac and Akzonobel giving stiff competition.
2. In decorative paints Industry Customer tastes and perceptions change very fast and products may become obsolete with change in trends, hence production planning and inventory problem

Opportunities

1. There is a good scope for growth especially in industrial paints category
2. Needs to have more focus on Automobile industry in industrial paints segment
3. Setting up paint manufacturing plant in Indonesia with 24,550 MT capacity subject to necessary regulatory and other approvals
4. Announcement of 100 Smart cities across India
5. Industrial output numbers at 3 years high.

Threats

1. Volatility in Global markets marred by uncertainty on various fronts
2. Volatility in Raw material prices
3. Stringent Government rules and regulations regarding the quality of products and manufacturing facilities as Environment policies are given more emphasis
4. Operations in Nepal impacted in the aftermath of the devastating earthquake
5. Weak monsoon which will reduce rural spending on paints

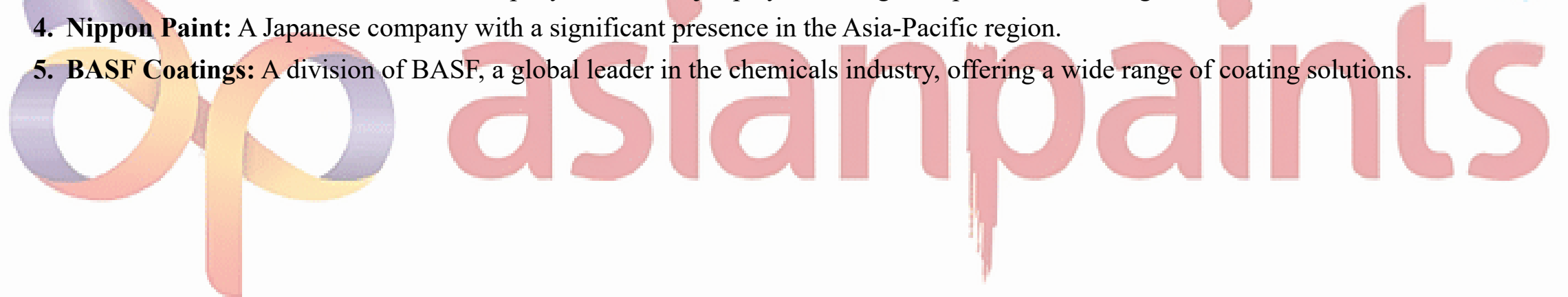
MAJOR COMPETITORS

Domestic Competitors in India:

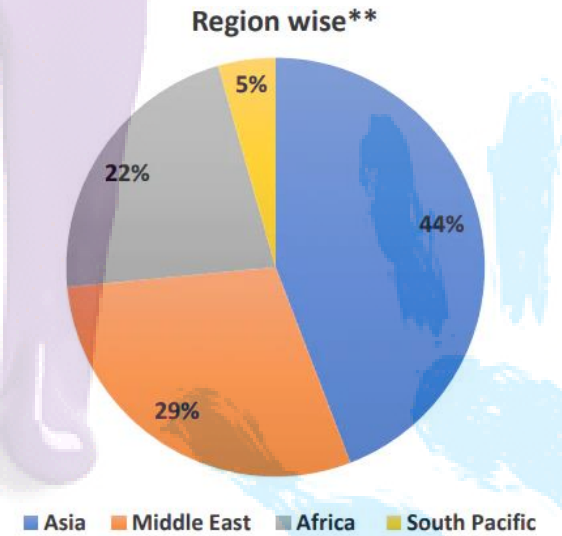
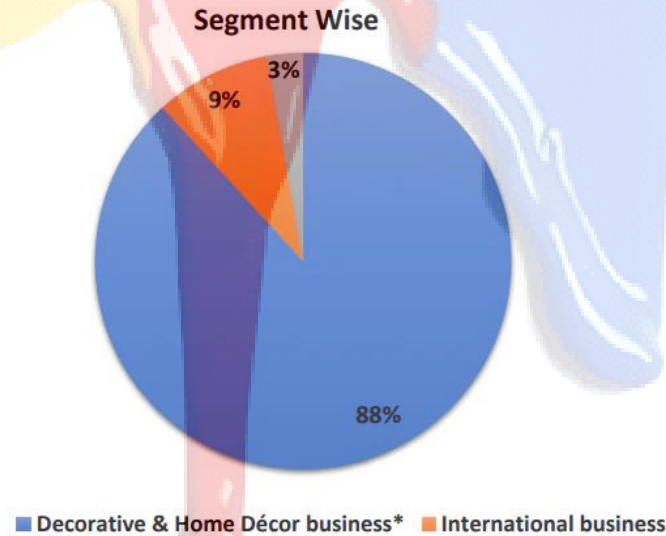
1. **Berger Paints India Ltd:** One of the top paint companies in India, offering a wide range of decorative and industrial paint products.
2. **Kansai Nerolac Paints Ltd:** A major player in the industrial coatings segment in India, also providing decorative paints.
3. **Akzo Nobel India Ltd:** The Indian arm of the global giant AkzoNobel, known for its Dulux brand.
4. **Shalimar Paints Ltd:** One of the oldest paint companies in India, providing both decorative and industrial coatings.
5. **Indigo Paints Ltd:** A growing company in the Indian market known for its innovative products and strong marketing.

International Competitors:

1. **PPG Industries:** A leading global supplier of paints, coatings, and specialty materials.
2. **Sherwin-Williams:** One of the largest paint manufacturers in the world, with a strong presence in North and South America.
3. **AkzoNobel:** A Dutch multinational company that is a major player in the global paints and coatings market.
4. **Nippon Paint:** A Japanese company with a significant presence in the Asia-Pacific region.
5. **BASF Coatings:** A division of BASF, a global leader in the chemicals industry, offering a wide range of coating solutions.



REVENUE MIX



As we can see, the majority of the company's revenue comes from decorative paints and home decor businesses. However, Asian Paints recently entered into the home decor business, the revenue contribution only stands at 4% of the overall decorative paint business as of FY23.

GROWTH OPPORTUNITIES

The domestic paint industry, comprising both the decorative and industrial paint segments, is valued at over ₹70,000 crore. Approximately 75% of this market is attributed to the decorative paint segment, while the industrial paint segment accounts for the remaining 25%. Projections indicate that the Indian paint industry is anticipated to expand, reaching a market size of ₹1,00,000 crore within the next five years. Moreover, the Indian paint industry has been witnessing a gradual shift in customers' preferences from traditional whitewash to high-quality paints like emulsions and enamel paints, which is providing the basic stability for the growth of the overall sector. Additional measures from the government to make houses affordable would aid the decorative paint demand in future. The growth of the paint market in India is fueled by key factors such as an increase in the disposable income of the average middle class, swift urbanization, and the introduction of innovative products. These innovations include paints that are environmentally friendly, odour-free, and resistant to dust and water, contributing significantly to the market's expansion. One more factor that could drive the overall sector is weakening crude oil prices. It is an essential component in producing paints, and the weakening of crude oil prices can be beneficial for the paint industry.



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FINANCIALS

Balance Sheet as at 31st March, 2023

Particulars	Notes	₹ (in Crores)	
		As at 31.03.2023	As at 31.03.2022
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	2A	3,487.58	3,689.63
Right-of-Use Asset	2B	1,080.94	786.20
Capital work-in-progress	3	978.04	225.47
Goodwill	4A	35.36	35.36
Other Intangible Assets	4B	38.81	42.75
Investments in Subsidiaries and Associates	5	1,532.13	1,095.56
Financial Assets			
Investments	5	782.15	550.69
Other Financial Assets	6	348.83	470.61
Income Tax Assets (Net)	7	146.98	144.58
Other Non-Current Assets	8	223.29	119.56
		8,654.11	7,160.41
Current Assets			
Inventories	9	5,321.79	5,277.61
Financial Assets			
Investments	5	2,597.37	2,164.34
Trade Receivables	10	3,462.61	2,915.77
Cash and Cash Equivalents	11A	156.44	276.04
Other Balances with Banks	11B	206.44	32.53
Other Financial Assets	6	1,706.49	1,645.49
Other Current Assets	8	424.59	436.22
		13,875.73	12,747.92
Total Assets		22,529.84	19,908.33
EQUITY AND LIABILITIES			
Equity			
Equity Share Capital	12	95.92	95.92
Other Equity	13	15,489.64	13,253.17
		15,585.56	13,349.09
Liabilities			
Non-Current Liabilities			
Financial Liabilities			
Borrowings	14	49.36	16.16
Lease Liabilities	15	640.14	518.80
Other Financial Liabilities	16	30.20	1.14
Provisions	17	176.11	168.29
Deferred Tax Liabilities (Net)	18C	177.84	205.30
Other Non-current Liabilities	19	39.17	2.11
		1,112.82	911.80
Current Liabilities			
Financial Liabilities			
Lease Liabilities	15	202.80	179.22
Trade Payables			
Total Outstanding dues of Micro Enterprises and Small Enterprises	20	95.69	56.04
Total Outstanding dues of creditors other than Micro Enterprises and Small Enterprises	20	2,950.17	3,441.25
Other Financial Liabilities	16	2,051.51	1,524.78
Other Current liabilities	19	372.05	307.22
Provisions	17	46.35	38.08
Income Tax Liabilities (Net)	21	112.89	100.85
		5,831.46	5,647.44
Total Equity and Liabilities		22,529.84	19,908.33
Significant accounting policies and key accounting estimates and judgements See accompanying notes to the Standalone Financial Statements	1 2-45		

As per our report of even date attached

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
F.R.N.: 117366W/10018

For and on behalf of the Board of Directors of **Asian Paints Limited**
CIN : L24220MH1945PLC004598

Deepak Satwalekar
Chairman
DIN : 00009627

Amit Syngle
Managing Director & CEO
DIN : 07232566

Statement of Profit and Loss for the year ended 31st March, 2023

Particulars	Notes	₹ (in Crores)	
		Year 2022-23	Year 2021-22
REVENUE FROM OPERATIONS			
Revenue from Sale of Products	22A	29,883.09	24,935.57
Revenue from Sale of Services	22A	70.03	66.52
Other Operating Revenue	22A	125.28	186.42
Other Income	23	518.01	451.89
Total Income (I)		30,596.41	25,640.40
EXPENSES			
Cost of Materials Consumed	24A	14,790.95	13,838.90
Purchases of Stock-in-Trade	24B	3,836.33	2,978.69
Changes in Inventories of Finished Goods, Stock-in-Trade and Work-in-Progress	24C	(299.74)	(1,208.63)
Employee Benefits Expense	25	1,513.89	1,310.14
Other Expenses	26	4,416.49	3,681.62
Total Expenses (II)		24,257.92	20,600.72
EARNING BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA) (I-II)		6,338.49	5,039.68
Finance Costs	27	93.06	70.25
Depreciation and Amortisation Expense	28	755.83	721.56
PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX		5,489.60	4,247.87
Exceptional Items	40	-	53.73
PROFIT BEFORE TAX		5,489.60	4,194.14
Tax Expense	18		
Current Tax		1,418.38	1,107.29
Short tax provision for earlier years		5.94	3.16
Deferred Tax		(34.90)	(51.02)
Total tax expense		1,389.42	1,059.43
PROFIT AFTER TAX		4,100.18	3,134.71
OTHER COMPREHENSIVE INCOME (OCI)			
A. Items that will not be reclassified to Profit or Loss			
(i) Remeasurement of the defined benefit plans		(9.98)	4.39
(b) Income tax benefit/(expense) on remeasurement of defined benefit plans		2.51	(1.11)
(ii) (a) Net fair value gain/(loss) on investments in equity instruments through OCI		90.19	(82.31)
(b) Income tax (expense)/benefit on net fair value gain on investments in equity instruments through OCI		(10.58)	9.59
B. Items that will be reclassified to Profit or Loss			
(a) Net fair value (loss) on investments in debt instruments through OCI		(5.42)	(3.26)
(b) Income tax benefit on net fair value gain on investments in debt instruments through OCI		0.63	0.39
Total Other Comprehensive Income (A+B)		67.35	(72.31)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,167.53	3,062.40
Earnings per equity share (Face value of ₹ 1 each)	32		
Basic (in ₹)		42.76	32.68
Diluted (in ₹)		42.76	32.68
Significant accounting policies and key accounting estimates and judgements See accompanying notes to the Standalone Financial Statements	1 2-45		

As per our report of even date attached

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
F.R.N.: 117366W/10018

For and on behalf of the Board of Directors of **Asian Paints Limited**
CIN : L24220MH1945PLC004598

Deepak Satwalekar
Chairman
DIN : 00009627

Amit Syngle
Managing Director & CEO
DIN : 07232566

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Overview

ESG commitments

Fundamentals

Strengthening our capitals

Statutory reports

Financial statements



KEY RATIOS

Market Cap	₹ 2,80,824 Cr.	Current Price	₹ 2,928	High / Low	₹ 3,568 / 2,670
Stock P/E	51.4	Book Value	₹ 195	Dividend Yield	1.14 %
ROCE	37.5 %	ROE	31.4 %	Face Value	₹ 1.00
Return on assets	20.0 %	EPS	₹ 56.9	Return on equity	31.4 %
Debt to equity	0.13	Price to Earning	51.4	Change in Prom Hold	0.00 %

- **Price to earning ratio:** It indicates that stock is priced relatively high as compared to its current earnings. Investors are willing to pay **51.4** times the earnings for each share of the company. It also suggests strong future earnings growth. A high P/E ratio doesn't seem to be bad because the company will be fast growing one in the industry or can have a consistent earnings growth.
- **ROCE: 37.5%** is a strong indicator of company's profitability and capital efficiency. It also suggests that company is utilising its resources effectively to create wealth and company is also effectively managing its capital and generating good returns.
- **Return on assets:** A **20%** ROA indicates the company is very efficient at generating profits from its assets. This high ROA suggest the company is highly profitable, effectively utilizing its assets to create value.
- **Debt to equity: 0.13** indicates very conservative capital structure for the company. Low d/e ratio is seen as favourable because it suggests lower financial risk. The company has a smaller burden of debt repayments, making less vulnerable to economic downturns and unexpected financial strains.
- **Return on equity: 31.4%** is a strong indicator of company's profitability. It suggests company's management team is effectively using its shareholder's capital to create profits.
- **Dividend yield:** A dividend yield of **1.14%** indicates a relatively low portion of company's profits are paid out as dividends to shareholders. Companies with low dividend yield tend to reinvest a larger portion of their earnings back into the business for future growth.

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PEER COMPARISON

Peer comparison

Sector: [Paints/Varnish](#) Industry: [Paints / Varnishes](#)

[EDIT COLUMNS](#)

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	2921.60	51.34	280239.23	1.14	1275.30	0.38	8730.76	-0.64	37.50
2.	Berger Paints	502.70	50.19	58604.57	0.53	222.62	19.61	2520.28	3.14	27.64
3.	Kansai Nerolac	282.90	35.36	22869.06	0.88	114.29	21.88	1769.39	2.07	16.56
4.	Akzo Nobel	2848.20	30.40	12970.79	2.63	108.80	14.05	973.40	2.31	42.21
5.	Indigo Paints	1374.90	44.05	6547.41	0.25	53.52	9.94	366.14	12.50	23.25
6.	Shalimar Paints	149.67		1252.91	0.00	-26.42	-174.64	144.26	6.58	-12.28
7.	Retina Paints	80.00	150.70	111.52	0.00	2.89		6.50		10.26

ANALYSIS

- There is **19.8%** growth revenue from sales
- **25.8%** growth in EBITDA
- **33.9%** increase in dividend
- Dividend payout ratio stood at **60%**
- **30.8%** increase in PAT

FY 2022-23 KEY HIGHLIGHTS

19.8%
Growth in Revenue
from sales

25.8%
Growth in EBITDA

33.9%
Increase in
Dividend

60%
Dividend payout
Ratio

30.8%
Increase in PAT

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Asian Paints Limited

Financial capital

Numbers that make us proud

REVENUE FROM SALES OF PRODUCTS AND SERVICES (₹ in Crores)



EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA) (₹ in Crores)



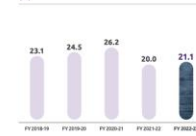
NET FIXED ASSETS (₹ in Crores)



ASSET TURNOVER RATIO (x times)



EBITDA MARGIN (%)



CASH PROFIT (₹ in Crores)



MARKET CAPITALISATION (₹ in Crores)



RETURN ON CAPITAL EMPLOYED (ROCE) (%)



PROFIT AFTER TAX (PAT) (₹ in Crores)



EARNINGS PER SHARE (EPS) (₹)



DIVIDEND PAYOUT RATIO (%)



SURPLUS CASH (₹ in Crores)



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All figures here are on Standalone basis

Note: The figures for FY 2019-20 and FY 2020-21 have been restated (wherever necessary) on account of amalgamation of Benz Chemicals Pharmaceuticals and Cosmetics Private Limited with the Company with the approved date of 19 April, 2019.

*Includes Dividend Distribution Tax

All figures here are on Standalone basis

CONCLUSION

- Company has delivered good profit growth of 20.5% CAGR over last 5 years.
- Company has a good return on equity track record of 3 years ROE 27.8%.
- Company has been maintaining a healthy dividend payout ratio of 60%.

I would suggest to buy Asian paints and hold it for long-term.



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