

ASIAN PAINTS

VISIT NOTE

KEY DATA

Rating	BUY
Sector relative	Neutral
Price (INR)	2,490
12 month price target (INR)	2,935
52 Week High/Low	3,395/2,125
Market cap (INR bn/USD bn)	2,388/27.3
Free float (%)	47.2
Avg. daily value traded (INR mn)	3,098.2

SHAREHOLDING PATTERN

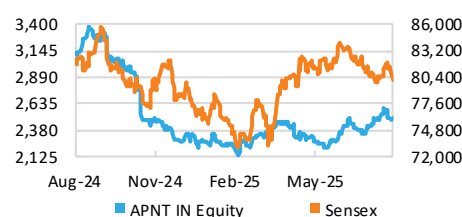
	Jun-25	Mar-25	Dec-24
Promoter	52.6%	52.6%	52.6%
FII	11.9%	12.2%	13.6%
DII	21%	15.6%	14.0%
Pledge	9.4%	9.3%	9.2%

FINANCIALS

(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	339,056	353,153	396,554	438,952
EBITDA	60,062	66,720	77,983	86,967
Adjusted profit	36,672	46,184	56,283	64,598
Diluted EPS (INR)	38.2	48.1	58.7	67.3
EPS growth (%)	(32.8)	25.9	21.9	14.8
RoAE (%)	19.2	22.6	24.9	25.6
P/E (x)	62.9	50.0	41.0	35.7
EV/EBITDA (x)	42.8	38.2	32.5	29.0
Dividend yield (%)	1.0	1.1	1.3	1.5

PRICE PERFORMANCE



More aggressive stance on market share

We recently met with top management of Asian Paints. Highlights: i) The priority is to protect market share with 18–20% EBITDA margin in the mid-to-long term given some quarterly variations. ii) Demand is stabilising and a gradual revival is likely. iii) Rural is strong; urban showing steady signs of recovery. iv) Competition is rationalising. v) RM costs are benign and likely to stay stable through FY26. Industrial business remains strong with 8.8% YoY growth in Q1FY26 (6% in FY25).

We reckon Q2 shall sustain momentum on urban demand recovery, benign RM costs and an early Diwali with H2FY26 likely to outpace H1FY26. Apart from this, a GST cut in other categories shall lead to a slight uptick in Paints consumption. Retain 'BUY' with a TP of INR2,935.

Key takeaways

Outlook: Priority of Asian Paints (APNT) is to protect market share. EBITDA margins shall stay within the 18–20% band over medium to long term with quarterly fluctuations. Repainting drives 85–86% of revenue; focus stays on leveraging this demand. We forecast the volume-value gap shall be 3–4% in a steady state (5.1% in Q1FY26) as APNT's efforts to push unorganised to organised in Economy shall enable it to gain market share. Painters play a critical role in pushing Economy/early premium paints; focus on bolstering painter connect. Impact of anti-dumping duty on TiO2 is likely to be low as suppliers will rework prices at their end.

Competition: Early signs of rationalisation of rebates from industry. Competition targeted small/medium dealers (INR1–2.5mn sales) last year by offering higher margins. These margin-sensitive dealers were most affected by the slowdown. APNT has set up a dedicated team to win them back. Initial attrition (as competitors poached talent) has stabilised; attrition is at normal levels now. Price is not the only lever to grow; operational efficiency, distribution strength and brand connect are more important than pricing.

FY25—Summary of portfolio: The Industrial business was the best performing reporting 6% revenue growth. Auto-coatings posted single-digit revenue growth while non-auto coatings' volumes grew in double digits. Industrial business revenue is now 2.4x FY21 level. Decorative and Home Décor business underperformed with revenue decreasing 5.3% mainly due to urban slowdown and aggression from competition. Domestic Decorative paints business reported downtrading. International business revenue remained flat YoY/grew 9% in CC terms. Within International, Middle East (37% of international) revenue expanded 14%.

Ramp-up in manufacturing capacity and backward integration: APNT has in-house decorative paints capacity of ~2.3mn KL/annum versus ~1.8mn KL/annum at end-FY24. Mysuru factory commissioned in FY25 is now a 600,00KL/annum facility—the largest paint factory in the world. It is setting up a dedicated facility for backward integration, which will produce VAM and VAE—key raw materials in paints. This shall improve cost efficiency (150–200bp benefit) and fortify supply chain control.

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	339,056	353,153	396,554	438,952
Gross profit	143,898	149,712	169,500	188,250
Employee costs	25,972	28,171	31,004	34,406
Other expenses	44,894	38,895	42,980	47,511
EBITDA	60,062	66,720	77,983	86,967
Depreciation	10,263	10,739	11,297	11,721
Less: Interest expense	2,270	1,872	1,642	1,412
Add: Other income	5,726	6,057	8,279	10,321
Profit before tax	53,255	60,167	73,323	84,156
Prov for tax	13,934	14,440	17,597	20,197
Less: Other adj	(3,631)	0	0	0
Reported profit	36,672	46,184	56,283	64,598
Less: Excp.item (net)	0	(3,631)	0	0
Adjusted profit	36,672	46,184	56,283	64,598
Diluted shares o/s	959	959	959	959
Adjusted diluted EPS	38.2	48.1	58.7	67.3
DPS (INR)	24.8	26.5	32.3	37.0
Tax rate (%)	26.2	24.0	24.0	24.0

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Other exp (% of rev)	13.2	11.0	10.8	10.8
Con A&P (% of rev)	3.8	4.5	4.4	4.4
Gross margin (%)	42.4	42.4	42.7	42.9
EBITDA margin (%)	17.7	18.9	19.7	19.8
Net profit margin (%)	10.8	13.1	14.2	14.7
Revenue growth (% YoY)	(4.5)	4.2	12.3	10.7
EBITDA growth (% YoY)	(20.8)	11.1	16.9	11.5
Adj. profit growth (%)	(32.8)	25.9	21.9	14.8

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	7.0	7.0	7.0	7.0
Repo rate (%)	5.3	5.3	5.3	5.3
USD/INR (average)	87.0	90.0	92.0	92.0
Sales growth std	(5.4)	(0.7)	11.9	9.9
Volume growth - std	2.4	4.0	8.0	8.0
COGS % of sales (con)	57.6	57.6	57.3	57.1
COGS % of sales (std)	56.8	56.2	55.8	55.6
Staff cost (% of rev)	7.7	8.0	7.8	7.8
Std A&P (% of rev)	4.9	4.8	4.7	4.7

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	62.9	50.0	41.0	35.7
Price/BV (x)	11.9	10.8	9.7	8.7
EV/EBITDA (x)	42.8	38.2	32.5	29.0
Dividend yield (%)	1.0	1.1	1.3	1.5

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	959	959	959	959
Reserves	193,039	212,907	237,120	264,910
Shareholders funds	193,998	213,866	238,079	265,869
Minority interest	6,592	7,050	7,607	8,247
Borrowings	8,638	7,638	6,638	5,638
Trade payables	38,480	39,573	44,167	48,767
Other liabs & prov	40,940	40,940	40,940	40,940
Total liabilities	303,714	324,133	352,496	384,525
Net block	86,313	82,574	78,777	74,556
Intangible assets	5,888	5,888	5,888	5,888
Capital WIP	12,545	12,545	12,545	12,545
Total fixed assets	104,746	101,007	97,209	92,989
Non current inv	14,798	19,798	24,798	29,798
Cash/cash equivalent	40,269	55,462	69,033	86,817
Sundry debtors	43,137	47,410	53,236	58,928
Loans & advances	0	0	0	0
Other assets	100,764	100,456	108,219	115,994
Total assets	303,714	324,133	352,496	384,525

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	36,672	46,184	56,283	64,598
Add: Depreciation	10,263	10,739	11,297	11,721
Interest (net of tax)	2,270	1,872	1,642	1,412
Others	(2,928)	(457)	(557)	(640)
Less: Changes in WC	(2,038)	(2,872)	(8,996)	(8,866)
Operating cash flow	44,240	55,466	59,668	68,224
Less: Capex	(13,907)	(7,000)	(7,500)	(7,500)
Free cash flow	30,333	48,466	52,168	60,724

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	19.2	22.6	24.9	25.6
RoCE (%)	26.8	28.3	31.2	32.2
Inventory days	118	120	114	114
Receivable days	50	47	46	47
Payable days	72	70	67	68
Working cap (% sales)	20.2	20.2	20.3	20.3
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.2)	(0.2)	(0.3)	(0.3)
Interest coverage (x)	21.9	29.9	40.6	53.3

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	(32.8)	25.9	21.9	14.8
RoE (%)	19.2	22.6	24.9	25.6
EBITDA growth (%)	(20.8)	11.1	16.9	11.5
Payout ratio (%)	64.9	55.0	55.0	55.0

Exhibit 1: Trends at a glance

	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Revenue (INR mn)	91,823	84,786	91,031	87,308	89,697	80,275	85,494	83,589	89,386
EBITDA (INR mn)	21,213	17,162	20,561	16,914	16,938	12,395	16,367	14,359	16,250
PAT (INR mn)	15,378	12,011	14,477	12,567	11,700	6,946	11,105	8,758	10,998
Domestic decorative volume growth (% YoY)	10	6	12	10	7	-1	2	2	4
Consolidated sales growth (% YoY)	6.7	0.2	5.4	-0.6	-2.3	-5.3	-6.1	-4.3	-0.3
Consolidated gross margin (%)	42.9	44.4	43.6	43.7	42.5	40.8	42.4	43.9	42.7
Consolidated staff costs (% of revenue)	5.9	7	6.3	7	7.5	8.4	7.2	7.6	7.9
Consolidated other expenses (% of revenue)	13.9	16.1	14.8	17.3	16.1	16.9	16.1	19.2	16.6
Consolidated EBITDA growth (% YoY)	36.3	39.8	27.6	-9.3	-20.2	-27.8	-20.4	-15.1	-4.1
Consolidated EBITDA margin (%)	23.1	20.2	22.6	19.4	18.9	15.4	19.1	17.2	18.2
Standalone sales growth (% YoY)	7	0	5.2	-1.9	-2.9	-6.5	-7.5	-5.1	-1.3
Standalone gross margin (%)	43.6	44.1	44.4	44.7	43.1	41.4	43.4	45.2	43.3
Standalone EBITDA growth (% YoY)	36.7	42.1	26.9	-11.4	-20.3	-29.2	-20.5	-14.8	-4.8
Standalone EBITDA margin (%)	24.6	21.6	24	20.7	20.2	16.3	20.6	18.4	19.3
Ess Ess revenue (INR mn)	847	814	854	887	934	830	876	920	887
Ess Ess revenue growth (%)	-28.2	-20	-4.9	-8	10.3	2	2.6	4	-5.1
Ess Ess EBIT (INR mn)	-8	-3	-55	-10	-14	-4.9	-63	-40	-13
Sleek revenue (INR mn)	960	968	1,001	1,007	1,004	1,050	1,027	850	981
Sleek revenue growth (%)	-12	-17.8	-0.6	2.9	4.6	9	2.7	-16	-2.3
Sleek EBIT (INR mn)	7	-3	42	-110	9	-5	-21	-160	-62
White Teak revenue (INR mn)	260	261	337	477	297	310	260	200	202
Weatherseal revenue (INR mn)	98	126	137	156	115	130	118	160	152

Source: Company, Nuvama Research

FY25 highlights

Key financial and operational highlights

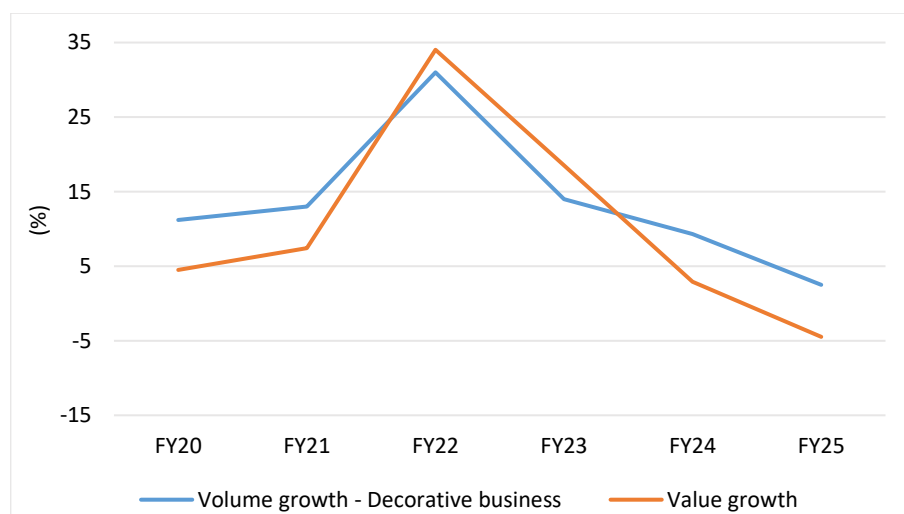
- Revenue decreased 5% while EBITDA dipped 20% YoY.
- Decorative and Home Décor revenue (87.4% of consolidated) inched down 5.3%.
- International revenue (9.1% of consolidated) remained flat. Within International, the Middle East business outperformed with revenue expanding 14% while Africa underperformed with revenue plunging 24%.
- Industrial business revenue (3.5% of consolidated) increased 6% YoY.
- APNT now has 85 patents, out of which 13 were added during the year.
- The company developed 27 new products in Decorative Paints and 45 in Industrial Paints.
- Upcoming manufacturing facilities are in Pithampur, Madhya Pradesh for Decorative paints and Dahej, Gujarat for VAM/VAE.

FY25 highlights by segment

Decorative Paints and Home Décor

- FY25 was a challenging year for the decorative paints business led by subdued demand and heightened competitive intensity.
- Revenue of INR295bn inched down 5.3% and the segment now contributes 87.4% consolidated revenue.
- The company's focus was towards expanding "bottom of the pyramid" offerings as downtrading was reported during the year.
- Premium and luxury emulsions declined in line with the industry decrease (low-single digit).
- Total 27 new products developed in Decorative Paints.
- Waterproofing category reported growth across interior and exterior offering, especially the terrace applications.
- White Teak reported a subdued year with revenue of INR1.1bn versus INR1.3bn in FY24.
- The company opened six new White Teak stores in Tier 2 cities, increasing the total store count to 26.
- Weatherseal revenue of INR530mn remained flat YoY. In Weatherseal, retail segment reported strong growth while B2B segment remained muted.
- Bath fittings and sanitaryware recorded revenue of INR3.6bn versus INR3.4bn in FY24. Premium and branded categories reported a slowdown while mid-to-economy segments fared well.

Exhibit 2: Decorative paints—Volume versus value growth

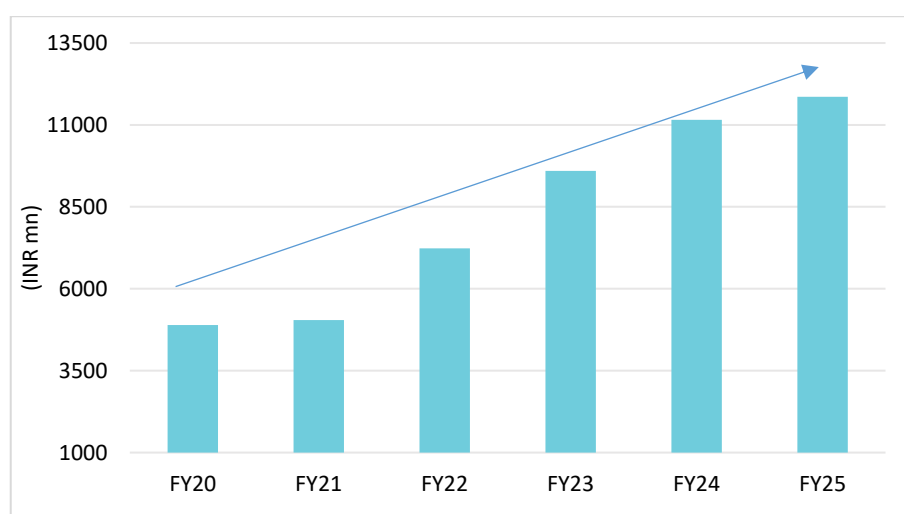


Source: Company, Nuvama Research

Industrial

- Auto-Industrial coatings business (PPG-AP) reported single-digit growth in terms of sales and recorded strong profitability, mainly due to stable RM costs.
- Non-auto Industrial coatings business reported double-digit volume growth. This segment shall report largest-ever capacity expansion programme, which would increase in-house capacity by 60%.
- The B2B team is now not only present in realty sector, but over the last five years has created the key sub-vertical of Factories, Institutions and Corporates (FIC).
- The FIC team has built strengths with flooring, waterproofing and metal coatings application systems among others.
- In FY25, APNT created a dedicated Business-to-Government (B2G) team to capitalise on the infrastructure momentum across the country.

Exhibit 3: Industrial segment revenue growth trend (INR mn)



Source: Company, Nuvama Research

International

- International business revenue remained flat YoY at ~INR31bn.
- APNT reported strong growth in the Middle East while macro headwinds hurt Bangladesh, Ethiopia and Egypt. Nepal and Sri Lanka recovered steadily. Africa struggled with inflation and currency devaluation.
- After exiting Indonesia in Feb-25, APNT is now present in 13 countries:
 1. Asia (Bangladesh, Nepal and Sri Lanka) constitutes 40% of the International business; this business inched up 3%.
 2. Middle East (Oman, Bahrain, UAE and Qatar) comprises 37% of the International business. Middle East was the outperformer in FY25 with revenue expanding 14%.
 3. Africa (Egypt and Ethiopia) and South Pacific (Fiji, Solomon Islands, Samoa and Vanuatu) contribute 18% and 5%, respectively, to the International business. Africa revenue plummeted 24% mainly due to currency devaluation and high inflation in Egypt and Ethiopia.
- The company raised prices in international markets wherever inflation in raw materials and packing materials necessitated it.

Manufacturing capabilities

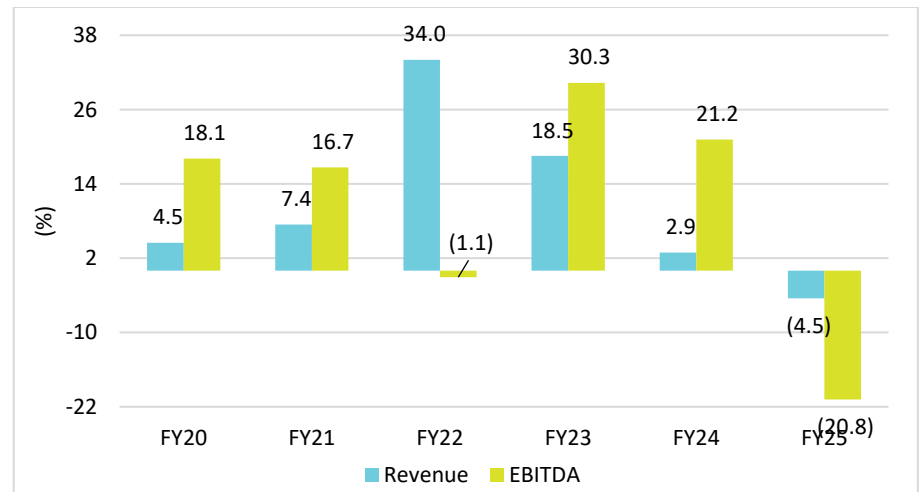
- The company has 13 in-house manufacturing facilities and 28 outsourced processing facilities.
- APNT has eight decorative coatings facilities spread across the country with total capacity to produce ~2.3mn KL/annum; one chemical manufacturing facility to produce *Pentaerythritol*, a key raw material for APNT.
- APNT has three facilities for its Kitchen and Bath business, two for Weatherseal and two for its Industrial coatings business.
- Upcoming manufacturing facilities are Pithampur, Madhya Pradesh, which will be used for Decorative Coatings and Dahej, Gujarat for VAM/VAE.
- The company currently imports Vinyl Acetate Ethylene Emulsion (VAE) and Vinyl Acetate Monomer (VAM) for internal consumption. VAE is a key raw material for the company. VAM is a key input for manufacturing VAE. VAE is considered the key constituent for manufacturing environment-friendly paints. VAE offers better paint properties and can significantly improve paint performance.

Summary of FY25

- The **coatings industry recorded a revenue decrease**, ranging from low single-digit decline to a flat performance YoY.
- The demand slowdown hit all coating segments, with **decorative coatings more affected than industrial**.
- Dampened demand was driven by weak consumer sentiment in urban areas, affected by **inflation and muted real wage growth**, leading to deferred discretionary spends, including on paints.
- A slowdown in construction and reduced government infrastructure spending is affecting core sectors such as cement and steel.
- **Rural markets fared relatively better**, supported by a strong agricultural season and above-normal monsoons.
- The subdued discretionary consumption push led to downtrading, especially in premium decorative products. APNT expanded offerings in the economy segment under its 'bottom of the pyramid' strategy, which led to relatively better growth in value-priced products, even as the **premium end remained subdued**.
- Despite subdued demand, the B2B decorative coatings business posted growth, driven by approvals from key government ministries across sectors.
- The coatings industry faced **heightened competition with the entry of new players and increased aggression from existing players**. This in turn led to **intensified pricing pressure and elevated distribution and promotional spend**, putting further strain on value realisation and profitability across segments.
- The Home Décor business faced severe constraints due to implementation of anti-dumping duty and BIS certification requirements.
- In its international markets, APNT posted **strong growth in the Middle East** while markets such as **Bangladesh, Ethiopia and Egypt faced macro headwinds**. Nepal and Sri Lanka reported a steady recovery. Management exited Indonesia to focus on higher-potential markets with ongoing efforts to strengthen the international business and support long-term growth.
- In the last two years, the company has announced significant investments in backward integration areas of VAM, VAE and white cement.

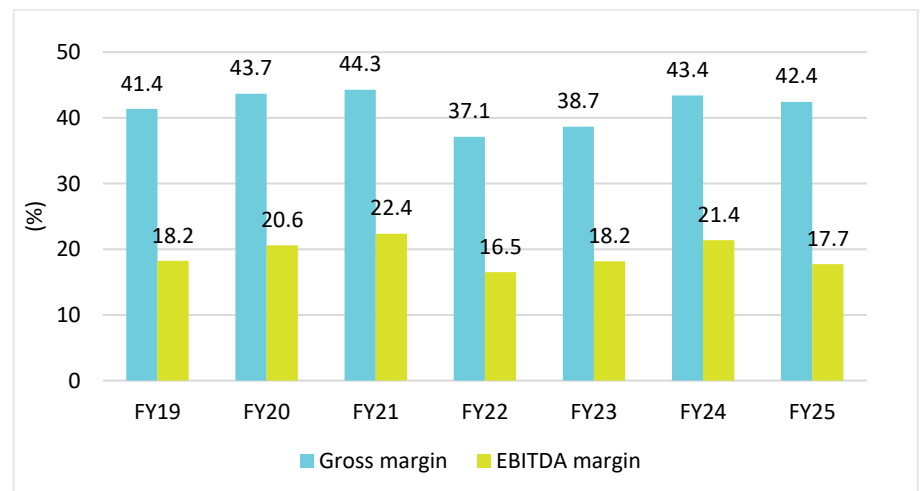
Key charts

Exhibit 4: Revenue/EBITDA growth trends



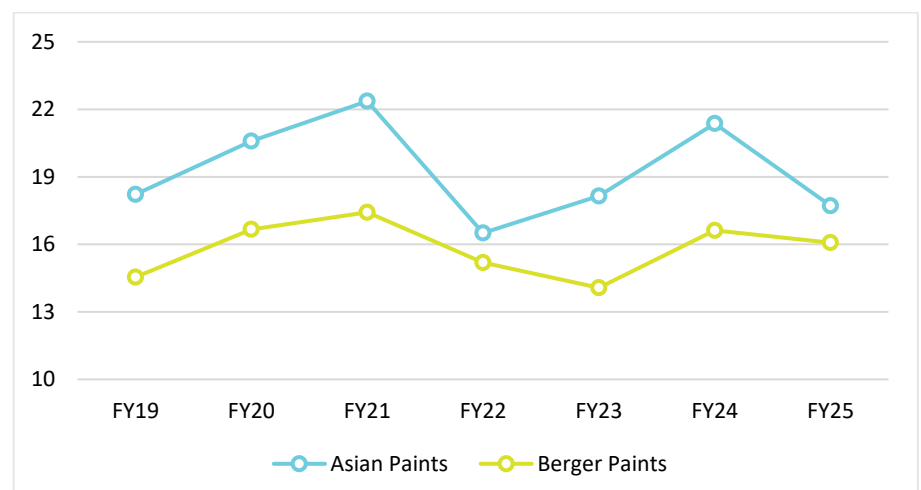
Source: Company, Nuvama Research

Exhibit 5: EBITDA and gross margin trends



Source: Company, Nuvama Research

Exhibit 6: EBITDA margin—Asian Paints versus Berger Paints



Source: Company, Nuvama Research

Exhibit 7: New launches

Royale Glitz Reserv

Soft sheen interior paint providing a rich luxurious finish to walls. It also offers unmatched stain repellency to keep the walls beautiful and comes with 8 years of performance warranty.



Apex Ultima - Suprema Air-O-Clean

Exterior emulsion engineered with photocatalytic technology that neutralises pollutants like SOx & NOx, bringing them down to safer limits as set by WHO.



SmartCare Infinia

Termed as 'The Future of Waterproofing', it is a highly durable and strong coating with best-in-class crack-bridging ability. It offers up to 25 years waterproofing warranty for terraces.



Nilaya Arc

Luxurious ensemble of shades with a unique lime-based paint whose formulation and finish help create walls to deliver a rustic, tactile finish.



PU Palette Metal

All weather resistant coating designed for metal substrates, offering UV resistance and protection against corrosion. Customers have the option to choose from 2,500+ shades.



PU Palette PS Grey

Superior all weather resistant primer for metal and wood surfaces, with anti-corrosion properties and superior adhesion on metals.



Source: Company, Nuvama Research

Company Description

Asian Paints is the largest paints company in India and figures among the top 10 players in the world. It operates in 15 countries and has 26 paint manufacturing facilities in the world, servicing consumers in more than 60 countries. In decorative paints, Asian Paints is present in all four segments: interior wall finishes, exterior wall finishes, enamels and wood finishes. It also offers waterproofing, wall coverings and adhesives in its product portfolio. In the Home Improvement and Décor category, the company is present in the kitchen and bath fittings space and offers various products. The company recently launched 'Viroprotek' range of hand, surface and space sanitisers and disinfectants. It is also offering 'San Assure' a sanitisation service and 'Safe Painting' service for its customers. The company recently launched a range of furniture, furnishings and lighting products under respective brands Nilaya, Royale and Ador, thereby offering a wide spectrum of products in the 'Home Décor' category. It has also launched 'Beautiful Homes Service' – an exclusive end-to-end solution – that provides consumers a personalised interior design service with professional execution.

Investment Theme

The paints industry is likely to post robust volume growth led by strong repainting demand and from construction. Growth in the repainting segment, accounting for about ~75% of decorative demand, is due to good demand in rural and small towns. Furthermore, anticipated growth in construction activity over the next five years creates opportunity for fresh painting. APL is anticipated to grow ahead of the market because of its pricing strategy at the lower end, higher growth in premium products, brand equity and distribution strength. However, moderation in real estate and auto segments can act as barrier.

Key Risks

A slowdown in the economy is the biggest risk for the paints industry, as about 75% of demand for decorative paints arises from repainting, which, in turn, depends heavily on the country's economic condition. A rise in crude oil and TiO₂ price and INR depreciation could hurt APL's margin as crude derivatives account for majority of APL's input costs.

Additional Data

Management

MD and CEO	Mr. Amit Syngle
CFO	Mr. R J Jeyamurugan
Non-Executive Director	Ms. Amrita Vakil
Non Ex Chairman	Mr. Ashwin Dani
Auditor	Deloitte Haskin & Sells

Holdings – Top 10*

	% Holding		% Holding
Life Insurance	8.51	Nippon Life Ind	0.87
SBI Funds Manag	5.39	UTI Asset Manag	0.83
ICICI Pru Asset	2.24	Norges bank	0.52
Blackrock Inc	2.04	Credit Agricole	0.39
Vanguard Group	1.92	Mirae Asset Fin	0.32

*Latest public data

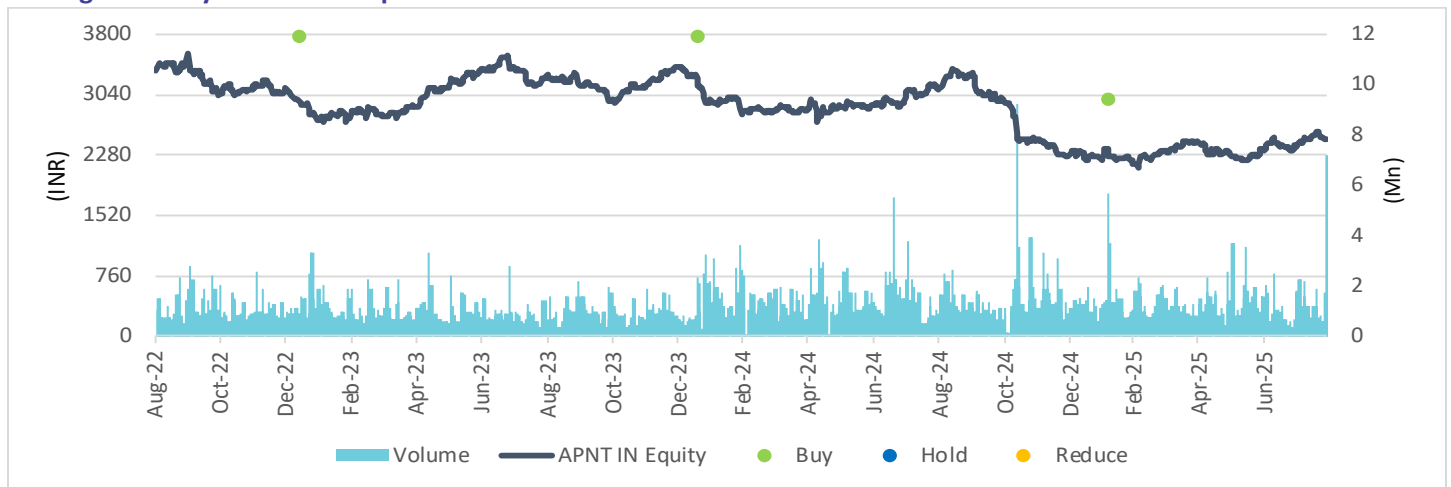
Recent Company Research

Date	Title	Price	Reco
29-Jul-25	Gradual recovery to continue; <i>Result Update</i>	2,402	Buy
08-May-25	Urban slowdown, but RM favourable; <i>Result Update</i>	2,303	Buy
04-Feb-25	Gradual recovery; good cost control; <i>Result Update</i>	2,354	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
26-Aug-25	Consumer discretionary	Gradual improvement to continue; <i>Sector Update</i>
14-Aug-25	United Spirits	Maharashtra: Key overhang in near term; <i>Result Update</i>
13-Aug-25	United Spirits	Cheers on sales, eyes on margins; <i>Oven fresh</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	198
Hold	<15% and >-5%	70
Reduce	<-5%	36

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