

## India

**REDUCE** (no change)

Consensus ratings\*: Buy 7 Hold 11 Sell 20

Current price:	Rs2,303
Target price:	Rs2,160
Previous target:	Rs2,230
Up/downside:	-6.2%
InCred Research / Consensus:	-6.7%
Reuters:	ASPN.NS
Bloomberg:	APNT IN
Market cap:	US\$25,767m
	Rs2,208,649m
Average daily turnover:	US\$39.5m
	Rs3387.7m
Current shares o/s:	959.2m
Free float:	47.4%

\*Source: Bloomberg

**Key changes in this note**

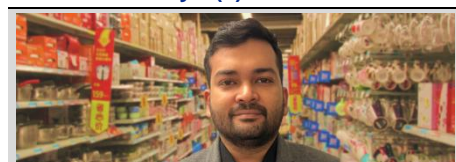
- Lower the target price to Rs2,160 from Rs2,230.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(4.5)	1.4	(15.0)
Relative (%)	(12.2)	(1.7)	(23.4)

Major shareholders	% held
Promoter and Promoter Group	52.6
LIC	8.3
Vanguard Group	2.0

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**Asian Paints Limited****On a slow track**

- Asian Paints' sales declined by 4.3%/4.5% yoy in 4Q/FY25 led by weak demand from urban markets coupled with aggressive competition.
- EBITDA margin contracted 350bp yoy to 17.7% in FY25. Its guidance entailed single-digit sales growth outlook, with an 18-20% EBITDA margin in FY26F.
- We expect competitive pressure to continue to weigh on sales growth and margin. Retain REDUCE rating with a lower TP of Rs2,160 (44x FY27F EPS).

**Registers its first-ever sales decline in FY25**

Asian Paints' (APNT) 4QFY25 revenue declined by 4.3% yoy to Rs83.6bn, 2% below our estimate. Volume growth came in at 1.8% led by weak demand conditions (especially in urban markets), elevated competition, impacted volume and downtrading, thereby impacting value growth, with standalone sales declining 5.1% yoy. For the full year, APNT registered a 4.5% decline – its first-ever yoy decline. The projects business fared better, with continued traction from the government segment since 3Q. The home décor business continued to remain subdued. The international business posted flat yoy growth in FY25, with growth supported by the Middle East, led by the UAE, while other regions remained subdued. The industrial segment posted relatively better volume growth at 2.1%/2.8% in 4Q/FY25, with sales declining 4.1%/4.6% yoy, respectively. The automotive segment grew by 3%/6% in 4Q/FY25, respectively, led by general industrial and automotive (although PBT margin dipped to 12.1% in 4QFY25 vs. 14.6% in 4QFY24) due to higher investments in the sales network. The non-automotive segment posted 11%/4% yoy growth in 4Q/FY25, respectively, with the PBT margin at 8.3% (vs. 10.7% last year). Management commentary pointed towards being at the upper end of the margin band for the auto segment.

**Management guidance entails a cautious stance for FY26F**

Management guidance entailed expectations of single-digit sales growth in FY26F, with the EBITDA margin in the 18-20% range. Organized players registered a decline in FY25, with weakness in urban markets, which is expected to ease gradually. Tier 2/3 and rural markets fared better. Management believes the current level of discounts by a new entrant is not sustainable. APNT outlined focusing on 1) differentiated new launches, 2) revamping product packaging with a regional flavour, 3) renewed focus on bottom of the pyramid with Ace and Tractor Emulsions range to focus on budget-conscious customers, 4) broadening play within the home décor segment with the launch of a luxury format under Nilaya, 5) increasing product warranties, and 6) focusing on strengthening brand equity.

**Remain cautious; maintain REDUCE rating with a TP of Rs2,160**

The paint industry is grappling with a weak overall demand environment for decorative paints, coupled with intense competition from Birla Opus, which has made notable distribution strides and disrupted the market share equilibrium for incumbents. We retain our REDUCE rating on APNT with a lower target price of Rs2,160 (44x FY27F EPS). Upside risks: Faster-than-expected recovery in volume & sales growth in decorative paints.

**Financial Summary**

	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue (Rsm)	344,886	354,947	339,056	354,756	385,154
Operating EBITDA (Rsm)	62,598	75,850	60,062	64,316	70,156
Net Profit (Rsm)	41,065	54,602	36,672	42,806	47,132
Core EPS (Rs)	43.2	56.9	41.0	44.6	49.1
Core EPS Growth	32.9%	31.8%	(28.1%)	9.0%	10.1%
FD Core P/E (x)	53.78	40.45	60.23	51.60	46.86
DPS (Rs)	24.6	32.0	23.8	23.9	25.9
Dividend Yield	0.88%	1.39%	1.03%	1.04%	1.12%
EV/EBITDA (x)	35.10	28.97	36.59	34.17	31.23
P/FCFE (x)	97.61	77.09	80.75	92.05	68.33
Net Gearing	(9.8%)	(9.3%)	(8.7%)	(8.1%)	(10.3%)
P/BV (x)	13.81	11.79	11.38	10.41	9.50
ROE	27.4%	31.5%	20.6%	21.1%	21.2%
% Change In Core EPS Estimates				(6.27%)	(4.73%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## On a slow track

Figure 1: Quarterly result summary

Y/E Mar (Rs m)	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)	FY24	FY25	(%)
Revenue	87,308	85,494	83,589	-4.3	-2.2	3,54,947	3,39,056	-4.5
Expenditure	70,394	69,127	69,227	-1.7	0.1	2,79,505	2,78,994	-0.2
Consumption of Raw Materials	49,147	49,204	46,865	-4.6	-4.8	2,00,902	1,95,158	-2.9
As a % of sales	56.3	57.6	56.1			56.6	57.6	
Employee Costs	6,142	6,151	6,315	2.8	2.7	23,669	25,972	9.7
as % of sales	7.0	7.2	7.6			6.7	7.7	
Other Expenditure	15,105	13,773	16,047	6.2	16.5	54,934	57,864	5.3
As a % of sales	17.3	16.1	19.2			15.5	17.1	
EBITDA	16,914	16,367	14,362	-15.1	-12.3	75,443	60,062	-20.4
Depreciation	2,256	2,556	3,011	33.5	17.8	8,530	10,263	20.3
EBIT	14,658	13,812	11,351	-22.6	-17.8	66,913	49,799	-25.6
Other Income	1,871	1,430	999	-46.6	-30.2	6,880	5,726	-16.8
Interest	541	558	528	-2.4	-5.5	2,052	2,270	10.6
PBT	15,988	14,683	11,822	-26.1	-19.5	71,741	53,255	-25.8
Total Tax	3,488	3,897	3,214	-7.8	-17.5	17,901	13,934	-22.2
PAT	12,500	10,786	8,607	-31.1	-20.2	53,840	39,321	-27.0
Minority Interest	-67	-319	-144	112.9	-55.0	-355	-982	176.4
Adjusted Net Profit	12,567	11,105	8,751	-30.4	-21.2	54,195	40,303	-25.6
Extraordinary Items	0	0	1,823	NA	NA	-407	3,624	-990.4
Reported Net Profit	12,567	11,105	6,928	-44.9	-37.6	54,602	36,679	-32.8
Adjusted EPS	13.1	11.6	9.1	-30.4	-21.2	56.5	42.0	-25.6
Margins (%)	4QFY24	3QFY25	4QFY25	YoY (bp)	QoQ (bp)	FY24	FY25	(bp)
Gross Margin	43.7	42.4	43.9	20	150	43.4	42.4	-100
EBITDA	19.4	19.1	17.2	-220	-200	21.3	17.7	-350
EBIT	16.8	16.2	13.6	-320	-260	18.9	14.7	-420
EBT	18.3	17.2	14.1	-420	-300	20.2	15.7	-450
PAT	14.3	12.6	10.3	-400	-230	15.2	11.6	-360
Effective Tax Rate	21.8	26.5	27.2	540	60	25.0	26.2	120

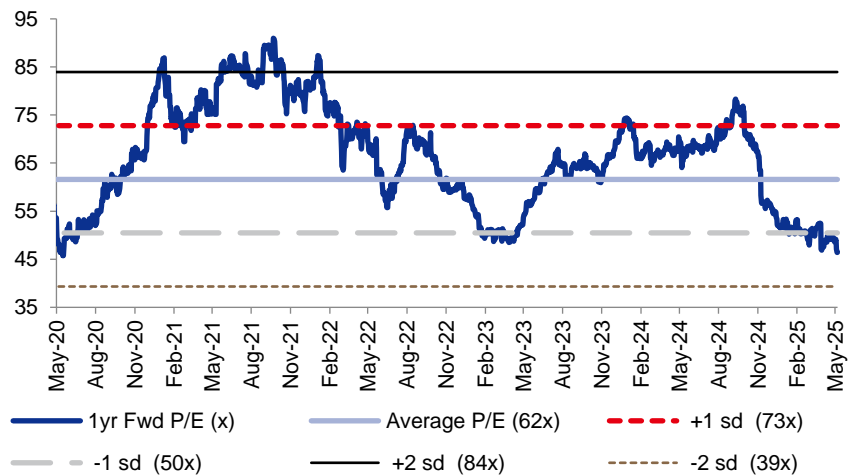
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

Y/E Mar (Rs m)	FY26F			FY27F		
	Earlier	Revised	% Change	Earlier	Revised	% Change
Revenue	3,56,261	3,54,756	(0.4)	3,86,779	3,85,153	(0.4)
EBITDA	64,678	64,316	(0.6)	70,216	70,156	(0.1)
EBITDA Margin (%)	18.2	18.1	-2bp	18.2	18.2	6bp
Net Profit	45,671	42,806	(6.3)	49,469	47,132	(4.7)
EPS	47.6	44.6	(6.3)	51.6	49.1	(4.7)

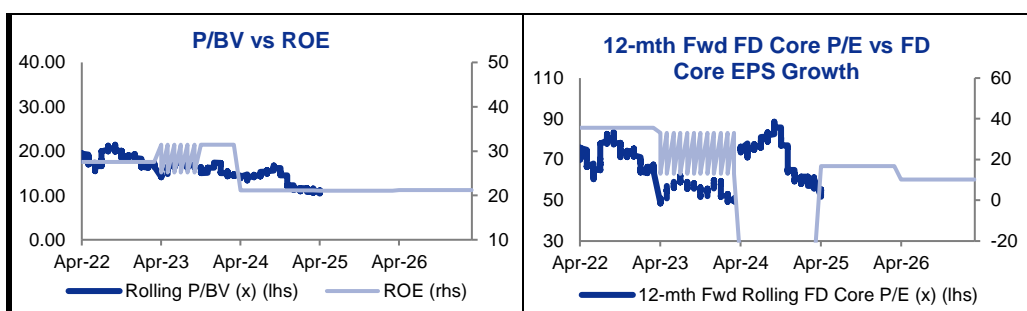
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Asian Paints' one-year forward P/E trades below -1SD level



SOURCE: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS



### Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
<b>Total Net Revenues</b>	<b>344,886</b>	<b>354,947</b>	<b>339,056</b>	<b>354,756</b>	<b>385,154</b>
<b>Gross Profit</b>	<b>133,321</b>	<b>154,045</b>	<b>143,898</b>	<b>150,826</b>	<b>164,228</b>
<b>Operating EBITDA</b>	<b>62,598</b>	<b>75,850</b>	<b>60,062</b>	<b>64,316</b>	<b>70,156</b>
Depreciation And Amortisation	(8,580)	(8,530)	(10,263)	(11,980)	(12,414)
<b>Operating EBIT</b>	<b>54,018</b>	<b>67,320</b>	<b>49,799</b>	<b>52,336</b>	<b>57,741</b>
Financial Income/(Expense)	2,420	4,828	3,456	3,458	3,881
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
<b>Profit Before Tax (pre-EI)</b>	<b>56,439</b>	<b>72,148</b>	<b>53,255</b>	<b>55,794</b>	<b>61,622</b>
Exceptional Items	(489)		(3,631)		
<b>Pre-tax Profit</b>	<b>55,950</b>	<b>72,148</b>	<b>49,624</b>	<b>55,794</b>	<b>61,622</b>
Taxation	(14,935)	(17,901)	(13,934)	(13,788)	(15,491)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>41,015</b>	<b>54,247</b>	<b>35,690</b>	<b>42,006</b>	<b>46,132</b>
Minority Interests	50	355	982	800	1,000
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>41,065</b>	<b>54,602</b>	<b>36,672</b>	<b>42,806</b>	<b>47,132</b>
Recurring Net Profit	41,423	54,602	39,284	42,806	47,132
<b>Fully Diluted Recurring Net Profit</b>	<b>41,423</b>	<b>54,602</b>	<b>39,284</b>	<b>42,806</b>	<b>47,132</b>

### Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
<b>EBITDA</b>	<b>62,598</b>	<b>75,850</b>	<b>60,062</b>	<b>64,316</b>	<b>70,156</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(3,602)	891	(468)	(4,291)	(523)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(1,445)	(2,052)	(2,270)	(2,653)	(2,552)
Tax Paid	(14,935)	(17,901)	(13,934)	(13,788)	(15,491)
<b>Cashflow From Operations</b>	<b>42,617</b>	<b>56,788</b>	<b>43,390</b>	<b>43,584</b>	<b>51,590</b>
Capex	(17,170)	(37,172)	(18,556)	(25,700)	(25,700)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(6,277)	3,618	4,358	6,111	6,433
<b>Cash Flow From Investing</b>	<b>(23,447)</b>	<b>(33,555)</b>	<b>(14,198)</b>	<b>(19,589)</b>	<b>(19,267)</b>
Debt Raised/(repaid)	3,457	5,418	(1,841)		
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(19,361)	(30,658)	(22,840)	(22,918)	(24,800)
Preferred Dividends					
Other Financing Cashflow	(3,128)	6,315	(5,197)	(682)	(682)
<b>Cash Flow From Financing</b>	<b>(19,031)</b>	<b>(18,925)</b>	<b>(29,878)</b>	<b>(23,600)</b>	<b>(25,482)</b>
Total Cash Generated	140	4,309	(685)	395	6,842
<b>Free Cashflow To Equity</b>	<b>22,628</b>	<b>28,651</b>	<b>27,352</b>	<b>23,995</b>	<b>32,324</b>
<b>Free Cashflow To Firm</b>	<b>20,615</b>	<b>25,285</b>	<b>31,463</b>	<b>26,648</b>	<b>34,876</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

### Balance Sheet

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Total Cash And Equivalents	35,408	42,874	40,269	40,664	47,505
Total Debtors	46,391	48,908	43,224	52,197	58,691
Inventories	62,106	59,234	67,193	63,824	60,978
Total Other Current Assets	30,340	35,696	33,323	33,323	33,323
<b>Total Current Assets</b>	<b>174,246</b>	<b>186,713</b>	<b>184,009</b>	<b>190,008</b>	<b>200,498</b>
Fixed Assets	65,616	94,258	102,550	116,270	129,556
Total Investments	15,647	13,845	14,798	14,798	14,798
Intangible Assets	2,285	4,192	2,196	2,196	2,196
Total Other Non-Current Assets					
<b>Total Non-current Assets</b>	<b>83,548</b>	<b>112,295</b>	<b>119,544</b>	<b>133,264</b>	<b>146,549</b>
Short-term Debt	11,275	13,247	9,074	9,074	9,074
Current Portion of Long-Term Debt					
Total Creditors	67,797	73,888	72,922	74,414	77,361
Other Current Liabilities	742	625	672		
<b>Total Current Liabilities</b>	<b>79,815</b>	<b>87,760</b>	<b>82,667</b>	<b>83,488</b>	<b>86,434</b>
Total Long-term Debt	8,051	11,497	13,829	13,829	13,829
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>	<b>8,051</b>	<b>11,497</b>	<b>13,829</b>	<b>13,829</b>	<b>13,829</b>
Total Provisions	6,211	6,139	7,837	7,659	7,838
<b>Total Liabilities</b>	<b>94,077</b>	<b>105,396</b>	<b>104,334</b>	<b>104,976</b>	<b>108,102</b>
Shareholders Equity	159,922	187,283	193,998	212,104	232,454
Minority Interests	4,537	6,954	6,592	6,892	7,192
<b>Total Equity</b>	<b>164,459</b>	<b>194,237</b>	<b>200,591</b>	<b>218,996</b>	<b>239,646</b>

### Key Ratios

	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue Growth	18.5%	2.9%	(4.5%)	4.6%	8.6%
Operating EBITDA Growth	30.3%	21.2%	(20.8%)	7.1%	9.1%
Operating EBITDA Margin	18.2%	21.4%	17.7%	18.1%	18.2%
Net Cash Per Share (Rs)	16.77	18.90	18.11	18.52	25.65
BVPS (Rs)	166.72	195.25	202.25	221.13	242.34
Gross Interest Cover	37.40	32.81	21.94	19.72	22.63
Effective Tax Rate	26.7%	24.8%	28.1%	24.7%	25.1%
Net Dividend Payout Ratio	46.6%	56.1%	56.7%	53.5%	52.6%
Accounts Receivables Days	45.05	49.00	49.59	49.09	52.54
Inventory Days	106.65	110.23	118.23	117.25	103.10
Accounts Payables Days	111.74	128.71	137.29	131.85	125.38
ROIC (%)	39.1%	40.1%	28.5%	27.1%	27.8%
ROCE (%)	31.4%	33.7%	22.7%	22.7%	23.1%
Return On Average Assets	16.0%	17.8%	11.9%	12.3%	12.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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## Recommendation Framework

### Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

### Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

### Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.