

CMP: ₹2,329

Target: ₹2,475(6%)

Target Period: 12 months

HOLD

May 28, 2025

Weak Q4; competition to weigh on near term performance

About the stock Asian Paints is India's leading paint and décor company and ranks among the top 10 Decorative Coating companies globally. It has 27 in-house painting manufacturing facilities worldwide with installed capacity of 1.85mn kl/per annum. The company has retail touchpoints of 1.6+ lakh retail touchpoints across India. The company's product range includes decorative and industrial paints that serves diverse requirements of interior and exterior wall application.

Q4FY25 performance: APL's revenues decreased by 4.3%yoy to Rs8,358.9crore. Decorative paint business registered a volume growth of 1.8% while revenues were down by 4.4% due to downtrading to low price products. Industrial business grew by 6.1%. Home Décor business continues to underperform with 16% revenue decline. Gross margins improved marginally by 22bps yoy 43.9%. lower operating leverage and higher marketing expenses led to 219bps yoy decline in EBITDA margins to 17.2%. EBITDA decreased by 15%yoy to Rs1,436.1crore. This along with higher depreciation charges led to 35% decline in the adjusted PAT to Rs818crore.

Investment Rationale:

- Decorative paints volume growth remains weak; muted near term outlook: Decorative paint business registered a volume growth of 1.8% while revenues were down by 4.4% due to downtrading low price products. Demand for decorative paints remained weak in Q4 due to muted urban demand and heightened competition from new entrants. Management expects volume to grow to gradually pick-up with expected recovery in urban demand driven by tax reliefs and moderating inflation, sustained uptick in the rural demand due to better monsoons and incremental sales coming in from second home/new home painting. Unfavourable mix is resulting in the 6-8% realisation decline. With expected recovery in the urban demand and higher traction to innovative products, the volume-value gap is expected to reduce below 5% on back of better mix in FY26.
- EBITDA margins to remain lower band of 17-18%: APL's EBITDA margins were down by 219bps yoy to 17% due to lower volume growth and higher marketing and promotional spends. Birla Opus is expanding its reach at fast pace and gaining market share in key markets. Thus, competitive pressures will be high in the near term. APL has to maintained higher trade and marketing spends to safeguard its market share in the decorative paints category. The management has maintained 18-20% margin band for FY26. We expect the EBITDA margins to remain at lower band for 17-18% till the time there is no substantial recovery in the volume growth in the coming quarters,

Rating and Target Price

With muted demand environment and margins remaining under pressure, APL's earning growth is expected to remain muted in FY26 and might gradually improve in FY27. In view of muted earnings outlook, we recommend Hold with a price target of Rs2,475 (valuing at 49x FY27E EPS of Rs50.6).

Key Financial Summary

Key Financials (₹ Crore)	FY23	FY24	FY25	2 year CAGR (FY23-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Revenues	34488.6	35494.7	33905.6	-0.8	35330.7	39061.2	7.3
EBIDTA	6259.8	7585.0	6006.2	-2.0	6329.0	7052.3	8.4
EBIDTA Margins(%)	18.2	21.4	17.7		17.9	18.1	
Adjusted PAT	4195.3	5557.7	3709.7	-6.0	4293.6	4849.8	14.3
EPS (Rs.)	43.7	57.9	38.7		44.8	50.6	
PE (x)	52.8	40.2	56.1		52.0	46.1	
EV to EBIDTA (x)	35.8	29.6	37.4		35.1	31.4	
Price to book (x)	14.0	11.9	11.5		11.0	10.2	
RoE (%)	28.4	32.0	20.9		21.6	23.0	
RoCE (%)	20.6	21.6	15.2		15.8	17.2	

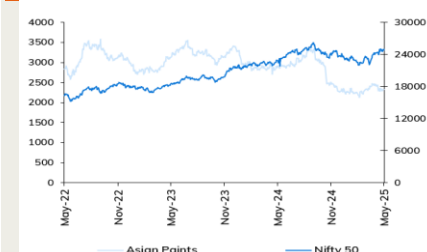
Source: Company, ICICI Direct Research

**Particulars**

Particular	Amount
Market Capitalisation (₹ crore)	2,23,398
Debt (FY25) - ₹ crore	5,112
Cash (FY25) - ₹ crore	4,011
EV (Rs crore)	2,24,499
52 week H/L (₹)	3,394 / 2,186
Equity capital (₹ crore)	95.9
Face value (₹)	1

Shareholding pattern

	Jun-24	Sep-24	Dec-24	Mar-25
Promoters	52.6	52.6	52.6	52.6
FII	15.3	15.3	13.6	12.2
DII	12.3	13.1	14.0	15.5
Others	19.8	19.0	19.8	19.6

Price Chart**Key risks**

- Sustained high competition from new entrant might put pressure on margins.
- Significant increase in the raw material prices to impact gross margins.
- Demand slowdown in the urban market would continue to impact decorative paints volume growth.

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Q4FY25 – Key Performance Highlights

- Consolidated revenues witnessed 4.3% YoY decline to Rs.8358.9cr on the back of sluggish performance in the decorative paints and international business. Industrial business performed relatively better in Q4FY25.
- Gross margins improved by 22bps YoY in Q4FY25 to 43.9%. EBITDA margins witnessed 219bps YoY decline to 17.2% indicating higher spends due to competitive environment and operating deleverage. EBITDA declined by 15.1% YoY to Rs.1436cr.
- Decorative paints registered muted volume growth of 1.8% YoY while revenues were down 4.4% YoY due to downtrading to low priced products. Industrial business registered 6.1% YoY growth while Home Décor registered 15.7% YoY decline to Rs.213cr.
- International business witnessed a marginal decline in revenues by 1.3% YoY to Rs.810cr. Africa markets underperformed due to currency devaluation and also due to inflationary environment in Egypt and Ethiopia. Middle East registered double digit growth of 15.7% to Rs.297cr with key market such as UAE driving the growth while Asia grew by 3.9% YoY to Rs.347cr with continued improvement witnessed in Sri Lanka and Nepal. Macro-economic conditions remained a concern in Bangladesh market.
- Lower EBITDA and higher depreciation charges (+33.5% YoY) led to 34.1% YoY decline in the adjusted PAT to Rs.818cr.

Q4FY25 – other key business highlights

- **Home décor business** continues its subdued performance declining by 15.7% YoY in Q4FY25 to Rs.213cr. Bath registered 3.7% YoY growth to Rs.92cr while Kitchen business declined 15.6% YoY to Rs.85cr impacted by merger transition. White Teak continued to underperform declining by 58.1% YoY to Rs.20cr due to BIS constraints. Weather seal grew marginally by 2.6% to Rs.16cr. Overall, subdued urban demand continued to impact the Home Décor business.
- **Industrial Business** witnessed mid-single digit growth of 6% YoY in Q4FY25 to Rs.832cr. General Industrial and Automobile segment contributed to the growth of PPGAP which witnessed 2.9% YoY growth in revenues to Rs.485cr. Higher investments for sales network expansion led to 15% YoY decline in PBT to Rs.59cr while margins dipped by 250bps YoY to 12.1% in Q4FY25. Powder, Protective and other segments contributed to the double-digit growth of 10.8% YoY in APG's revenues to Rs.347cr. Tighter pricing environment weighed on profitability which declined by 14% YoY to Rs.29cr in Q4FY25.

Q4FY25 – Earnings Call highlights

- Demand Outlook
 - FY25 marked one of the weakest years for decorative paint industry. Softness across new construction and repainting cycles was witnessed. Urban demand especially Tier 1 and Tier 2 areas performed poorly and demand remains subdued. Tier 3 and Tier 4 areas are performing better driven by stability in rural areas.
 - Management remains cautiously optimistic for FY26. (i) Guided that government expenditure is witnessing a rebound which is likely to aid the growth in Industrial business while mid to luxury homes and second homes are expected to drive growth for the decorative paints business (ii) IMD forecast of above normal monsoon reiterates confidence on more stability in upcoming time for rural areas which might increase spending aiding growth.
- Revenue and Margin Guidance
 - The company has operated in the guided range of 18-20% EBITDA margins for 2-3 years. Higher trading and market spend led by increased competition from new entrants had an impact on

the margins. Hence the company was operating below guided margin range. EBITDA margins stood at 17.2% in Q4FY25.

- The management maintained the 18-20% guidance for EBITDA margin for FY26 despite heightened competitive environment.
- Management guided single digit value growth in FY26 for the company.
- Capex Guidance
 - Capex guidance maintained at Rs.9000cr placing focus on long term strategic growth.
 - The white cement plant in Fujairah, UAE is expected to commission in June 2025.
 - The VAM/VAE/Emulsion plant will commence partial operation in April-May 2026 while full commissioning is expected by April 2027. The total capex is expected at ~Rs.3000cr.
 - Management guided for Rs.700-800cr capex outlay in FY26 while a similar level is expected in FY27.
- Competitive Outlook
 - Management laid focus on increasing competitiveness which has increased with 3-4 players entering the paint market. Management also reiterated that there could be possible loss of market share in FY25. Steep discounting and increased promotional activity are leading to customer switching to other brands.
 - The management is focusing on retaining its leadership through various methods. (i) Deepening its distribution network (1.69L touch points as of FY25). (ii) Focused expansion through newer products (14% of Q4FY25 revenues from new products). (iii) Driving growth through premiumization – Differentiated packaging and ingredient-based packaging. (iv) Investment in Digital tools to improve operational efficiency.
- Raw Material Pricing Outlook
 - Input cost softening was witnessed in Q4FY25. Deflation of 1-1.5% was witnessed in Q4FY25. Efficient sourcing and lower crude prices were the primary drivers.
 - Management expects further deflation of 0.5%-1% in Q1FY26. This is expected to aid the improvement in margins aiding better spending power in the market to drive promotions. Deflation is expected to a marginal price cut of 0.4% by the company.
- New Business Performance
 - Home Décor business witnessed muted growth across verticals majorly due to macro headwinds such as increased market competitiveness. Kitchen remained flat; Bath grew in single digits.
 - White teak posted revenue de-growth. The business hasn't witnessed much of billing for 5 months and BIS related import constraints have hampered the revenues. Company has taken an impairment of Rs.78.5cr on derivative contracts pertaining to the business.
 - Weather seal reported marginal growth. Demand headwinds impacted performance.
 - The company has been trying to expand through luxury and premium offerings. Opened first luxury store Nilaya Anthology in Mumbai.

- Management 's long term focus remains on achieving top 2 positions across all the segments but also hinted at non-performing businesses if it does not achieve scale.
- Global Operations
 - Global operations remain subdued, Company witnessed CC growth of 6% in Q4 but reported de-growth of 1.5%.
 - Currency devaluation pressures led to underperformance in Africa. Middle East and Asia fared better.
 - Indonesia business was divestment and the company recorded a divestment loss of Rs.83cr while in Sri Lanka business (Causeway paints) company recorded a goodwill impairment of Rs.21.5cr.

Revision in earnings estimates

We have reduced our earnings estimates for FY26 and FY27 by 3.8% and 6.7% to factor in lower-than-expected revenues and EBITDA margins led by heightened competitive environment in the paint industry and muted demand. We expect the EBITDA margins to remain in the lower band of 17%-18%.

Exhibit 1: Changes in headline estimates

(₹ crore)	FY26E			FY27E		
	Old	New	% Chg	Old	New	% Chg
Net Revenues	36683.4	35330.7	-3.7	40578.1	39061.2	-3.7
EBIDTA	6531.6	6329.0	-3.1	7468.1	7052.3	-5.6
EBIDTA margin (%)	17.8	17.9		18.4	18.1	
PAT	4463.1	4293.6	-3.8	5196.9	4849.8	-6.7

Source: Company, ICICI Direct Research

Exhibit 2: Key operating assumptions

(Year-end March)	FY24	FY25	FY26E	FY27E
Standalone decorative paints	29931.1	28353.2	29138.6	31966.7
yoy %	2.8	-5.3	2.8	9.7
Decorative paint (volume growth %)	10.0	3.0	6.4	9.5
Home décor				
Kitchen	393.6	393.7	408.5	469.7
yoy %	-3.1	0.0	3.7	15.0
Bath	340.2	356.5	410.0	471.5
yoy %	-20.0	4.8	15.0	15.0
WhiteTeak	133.5	106.8	111.4	134.5
yoy %	23.0	-20.0	4.3	20.7
Weatherseal	51.7	52.7	56.4	65.9
yoy %	110.2	1.9	7.1	16.7
International	3076.1	3119.0	3378.3	3918.9
yoy %	-1.2	1.4	8.3	16.0
Subsidiaries				
PPGAP	2014.6	2136.5	2378.7	2664.2
yoy %	10.3	6.1	11.3	12.0
APPPG	1146.0	1192.7	1276.2	1403.8
yoy %	12.6	4.1	7.0	10.0
Total revenues	35494.7	33905.6	35330.7	39061.2
yoy %	2.9	-4.5	4.2	10.6

Source: Company, ICICI Direct Research

Exhibit 3: Q4FY25 Standalone result snapshot (₹ crore)

Particulars	Q4FY25	Q4FY24	y-o-y (%)	Q3FY25	q-o-q (%)
Total Revenue	7192.4	7480.9	-3.9	7320.5	-1.8
Total Operating Cost	5868.2	5932.1	-1.1	5812.2	1.0
Operating Profit	1324.2	1548.8	-14.5	1508.4	-12.2
Other Income	138.0	197.4	-30.1	226.5	-39.0
Interest & Other Financial Cost	34.0	30.6	11.2	32.8	3.9
Depreciation	269.4	193.5	39.2	221.4	21.7
Profit Before Tax	1158.8	1522.1	-23.9	1480.7	-21.7
Tax Expense	331.5	312.7	6.0	372.1	-10.9
Adjusted PAT before MI	827.3	1209.4	-31.6	1108.6	-25.4
Exceptional Items	133.1	0.0	-	0.0	-
Reported PAT	694.3	1209.4	-42.6	1108.6	-37.4
Adj. EPS (Rs)	8.6	12.6	-31.6	11.6	-25.4
Margins	Q4FY25	Q4FY24	bps	Q3FY25	bps
GPM (%)	45.2	44.7	53	43.4	179
OPM (%)	18.4	20.7	-229	20.6	-219

Source: Company, ICICI Direct Research

Exhibit 4: Q4FY25 Consolidated result snapshot (₹ crore)

Particulars	Q4FY25	Q4FY24	y-o-y (%)	Q3FY25	q-o-q (%)
Total Revenue	8,358.9	8,730.8	-4.3	8,549.4	-2.2
Raw Material Cost	4,686.7	4,914.7	-4.6	4,920.4	-4.7
Employee Cost	631.5	614.2	2.8	615.1	2.7
Other Expenses	1,604.7	1,510.5	6.2	1,377.3	16.5
Total Operating Cost	6,922.9	7,039.4	-1.7	6,912.7	0.1
Operating Profit	1,436.0	1,691.4	-15.1	1,636.7	-12.3
Other Income	99.9	187.1	-46.6	143.0	-30.2
Interest & Other Financial Cost	52.8	54.1	-2.4	55.8	-5.5
Depreciation	301.1	225.6	33.5	255.6	17.8
Profit Before Tax	1,182.0	1,598.8	-26.1	1,468.3	-19.5
Tax Expense	364.0	348.8	4.4	389.7	-6.6
Adjusted PAT	818.0	1,250.0	-34.6	1,078.6	-24.2
Share of profit from associates	23.1	25.3	-9.0	49.8	-53.7
Adjusted PAT after MI	841.0	1,275.3	-34.1	1,128.4	-25.5
Exceptional Items	140.4	0.0	-	0.0	-
Reported PAT	700.6	1275.3	-45.1	1128.4	-37.9
Adj. EPS (Rs)	8.8	13.3	-34.1	11.8	-25.5
Margins	Q4FY25	Q4FY24	bps	Q3FY25	bps
GPM (%)	43.9	43.7	22	42.4	148
OPM (%)	17.2	19.4	-219	19.1	-197
NPM (%)	8.4	14.6	-623	13.2	-482
Tax rate (%)	30.8	21.8	898	26.5	425

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 5: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Total Operating Income	35494.7	33905.6	35330.7	39061.2
Growth (%)	2.9	-4.5	4.2	10.6
Raw Material Expenses	20090.2	19515.8	20421.1	22675.0
Gross Profit	15404.5	14389.8	14909.5	16386.2
Gross Profit Margins (%)	43.4	42.4	42.2	42.0
Employee Expenses	2326.2	2597.2	2857.0	3142.6
Advertisement & promotional	1242.3	1457.9	1483.9	1640.6
Other Expenditure	4251.0	4328.5	4239.7	4550.6
Total Operating Expenditure	27909.8	27899.4	29001.7	32008.9
EBITDA	7585.0	6006.2	6329.0	7052.3
Growth (%)	21.2	-20.8	5.4	11.4
Interest	205.2	227.0	186.2	151.5
Depreciation	853.0	1026.3	1214.9	1298.9
Other Income	688.0	572.6	615.9	681.3
PBT	7214.8	5325.5	5543.8	6283.2
Less Tax	1790.1	1482.8	1395.4	1581.5
Adjusted PAT (before exceptio	5424.7	3842.7	4148.4	4701.7
Growth (%)	31.1	-29.2	8.0	13.3
Profit from associates	133.0	140.7	145.2	148.1
Exceptional item	0.0	273.7	0.0	0.0
Reported PAT	5557.7	3709.7	4293.6	4849.8
Growth (%)	32.5	-33.3	15.7	13.0
EPS (Adjusted)	57.9	38.7	44.8	50.6

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit/(Loss) after taxation	4869.7	3410.8	3677.7	4168.5
Add: Depreciation & Amort.	853.0	1026.3	1214.9	1298.9
Other income	688.0	572.6	615.9	681.3
Changes in the working cap.	-344.5	31.1	-79.3	-1055.0
CF from Operating activities	6066.2	5040.9	5429.2	5093.7
(Purchase)/Sale of Fixed Asset	-3907.9	-1655.9	-466.3	-600.0
Investments & Bank balances	-326.3	-136.7	-25.3	-1400.0
Others	-4.7	7.2	-1.6	-1.8
CF from Investing activities	-4238.9	-1785.5	-493.2	-2001.8
(inc)/Dec in Loan	975.4	-278.1	-1462.3	0.0
Change in equity & reserves	372.5	45.3	0.0	0.0
Dividend paid	-3194.1	-3357.2	-3357.2	-3357.2
Other	259.1	16.6	185.7	192.6
CF from Financing activities	-1587.2	-3573.4	-4633.8	-3164.6
Net Cash Flow	240.1	-318.1	302.2	-72.7
Cash and Cash Equivalent (opening)	843.8	1083.9	765.9	1068.1
Cash	1083.9	765.9	1068.1	995.5
Free Cash Flow	2158.2	3384.9	4962.9	4493.7

Source: Company, ICICI Direct Research

Exhibit 7: Balance sheet ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Equity Capital	95.9	95.9	95.9	95.9
Reserve and Surplus	18632.4	19303.9	20240.3	21732.9
Total Shareholders funds	18728.3	19399.8	20336.2	21828.8
Minority Interest	695.4	659.2	804.4	952.5
Total Debt	5390.4	5112.3	3650.0	3650.0
Deferred Tax Liability	352.2	404.9	445.4	489.9
Long-Term Provisions	222.6	257.8	283.6	311.9
Other Non Current Liabilities	34.5	45.6	45.6	45.6
Total Liabilities	25423.3	25879.6	25565.1	27278.7
Gross Block - Fixed Assets	8251.9	11619.7	12619.7	13619.7
Accumulated Depreciation	3805.7	4832.0	6047.0	7345.9
Net Block	4446.2	6787.6	6572.7	6273.8
Capital WIP	2698.4	1254.5	800.0	400.0
Leased Assets	1856.3	1843.7	1843.7	1843.7
Fixed Assets	9000.8	9885.8	9216.4	8517.5
Goodwill & Other intangible as	844.2	588.8	509.6	509.6
Investments	1384.6	1479.8	1100.0	1400.0
Other non-Current Assets	1157.5	1432.7	1576.0	1733.6
Inventory	5923.4	6719.3	6582.2	7277.2
Debtors	4889.1	4322.4	4549.4	5029.8
Current Investments	3203.4	3245.0	3650.0	4750.0
Other Current Assets	785.8	773.7	851.1	936.2
Loans & Advances	1651.4	1158.1	1331.8	1531.6
Cash	1083.9	765.9	1068.1	995.5
Total Current Assets	17537.0	16984.3	18032.6	20520.2
Creditors	3831.3	3848.0	4196.1	4659.2
Provisions	62.5	67.2	73.9	81.3
Other Current Liabilities	607.0	576.7	599.5	661.6
Total Current Liabilities	4500.8	4491.8	4869.4	5402.1
Net Current Assets	13036.2	12492.5	13163.2	15118.1
Application of Funds	25423.3	25879.6	25565.1	27278.7

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (₹)				
Adjusted EPS	57.9	41.5	44.8	50.6
Cash EPS	66.8	52.2	57.4	64.1
BV per share	195.2	202.2	212.0	227.6
Cash per Share	44.7	41.8	49.2	59.9
Dividend per share	33.3	35.0	35.0	35.0
Operating Ratios (%)				
Gross Profit Margins	43.4	42.4	42.2	42.0
EBITDA margins (%)	21.4	17.7	17.9	18.1
(Adjusted) PAT Margins	15.7	11.7	12.2	12.4
Cash Conversion Cycle	41.6	46.9	40.0	40.0
Fixed asset turnover (x)	3.3	2.6	2.7	3.2
Return Ratios (%)				
RoE	32.0	20.9	21.6	23.0
RoCE	21.6	15.2	15.8	17.2
Valuation Ratios (x)				
P/E	40.2	56.1	52.0	46.1
EV / EBITDA	29.6	37.4	35.1	31.4
EV / Net Sales	6.3	6.6	6.3	5.7
Market Cap / Sales	6.3	6.6	6.3	5.7
Price to Book Value	11.9	11.5	11.0	10.2
Solvency Ratios				
Debt / EBITDA	0.7	0.8	0.5	0.5
Debt / Equity	0.3	0.3	0.2	0.2

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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