



Image sourced from Asian Paints Website



INITIATING COVERAGE

ASIAN PAINTS LTD (APL)

Market Cap.

Rs. 2,50,927 Cr

52 Week H/L

Rs. 2,871/1,483

CMP

Rs. 2,616

Target Price

Rs. 3,140

STOCK DATA

BUY

Reuters Code	ASPN.BO	
Bloomberg Code	APNT IN	
BSE Code	500820	
NSE Symbol	ASIANPAINT	
Face Value	Rs. 1	
Shares Outstanding	95.9 Cr.	
Avg. Daily Vol. (6m)	23,60,540	
Price Performance (%)		
1M	3M	6M
4	7	21
200 Days EMA Rs.2,287		

SHARE HOLDING (%)

Promoters	52.8
FII	20.4
FI/Bank	7.3
Body Corp/Govt	0.1
Public & Others	19.5

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Robust Supply Chain Management continues to play a significant role: The consistent, innovation and embracing the best of technology has led the company to one of the most efficient supply chain management models. Over the decades, the largest paints company of the country has focused on one mantra of 'ensuring the right product at the right time at the right place'. Today, the company distributes its products through 70,000+ dealers much higher than the next ranked players.

Dominant market share in the growing industry: The company commands a leading market in the Indian paints industry – in the decorative segment, the company holds nearly 50% market share, and in the industrial segment, it commands nearly 20% market share. Overall, in the entire gamut of paints the company commands a market share of ~39% which is more than 3x of its closest two peers. The company is the 3rd largest paint company in Asia and 9th largest paint company in the world.

Unorganized to organized shift and other industry trends: The Indian paints sector is estimated to be Rs.50,000 cr, of which, nearly one-third is estimated to be captured by unorganized sector. The share of unorganized sector in the Indian paints industry is consistently shrinking following the demonetization and implementation of Goods & Services Tax.

Consistent capacity expansion and robust fundamentals: The company steadily invests in new capacities to support the top-line growth and retaining market share. On an average, the company has been doubling its capacities every 4-6 years. Accordingly, the installed capacities have steadily increased from 4.44 lakh kilolitres in FY10 to 17.3 lakh kilolitres in FY20 following the new plants established in Mysuru and Vishakhapatnam.

OUTLOOK & VALUATION

APL is India's leading paints company and commands 39% market share – 50% in decorative paints and 20% in industrial paints. The company with presence in 26 countries also boasts of one of the most efficient supply chain including 70,000+ dealers. Leveraging the expertise in the segment and wide reach, APL has forayed into other relevant segments such as Home Improvement which is quite scalable. Further, the strong fundamentals including consistent growth, virtually debt-free status, robust cash position, relatively high margins, working capital management alongwith strong brand equity plays a key role. **Going forward, we expect the company to deliver an EPS of Rs.44.9 in FY23; assigning a target multiple of 70x we arrive at a target price of Rs.3,140 showcasing an upside potential of 20.0% from current levels with an investment horizon of 18-24 months.**

Y/E Mar	Revenue (Rs. Cr)	EBITDA (Rs. Cr)	EBITDA Margin (%)	PAT (Rs. Cr)	NPM (%)	A-EPS (Rs.)	P/E (x)	P/S (x)	P/B (x)
FY20	20,211.3	4,161.8	20.6%	2,705.2	13.4%	28.2	92.8	12.4	24.8
FY21 E	20,514.4	4,718.3	23.0%	3,143.3	15.3%	32.8	79.8	12.2	20.8
FY22 E	22,976.1	5,238.6	22.8%	3,610.1	15.7%	37.6	69.5	10.9	17.5
FY23 E	27,111.9	6,100.2	22.5%	4,302.6	15.9%	44.9	58.3	9.3	14.7

COMPANY OVERVIEW



Founded in 1942 by four friends, as a partnership firm, Asian Paints Ltd (APL) soon became a leader in the paints industry. Over the decades, APL has evolved into a multinational company engaged in manufacturing a wide range of paints for decorative and industrial use and also offer end-to-end painting and designing services, color and decor consultancy, waterproofing solutions.

In the decorative category, the company not only sells paints and coatings but also products related to home decor, bath fittings and is also engaged in providing related services. The company is also present in the home improvement and décor space in India through Sleek (Kitchens, Wardrobes) and Ess Ess (Bath Fittings & Sanitaryware). In the Industrial coatings space, APL operates through two strategic 50:50 joint ventures with PPG Inc., USA, a global leader in coatings. The first JV - 'PPG Asian Paints Pvt Ltd', services the Indian automotive coatings market alongwith packaging and marine coatings. The second JV - 'Asian Paints PPG Pvt Ltd', services the protective, industrial powder and light industrial coatings markets in the country.

The company's manufacturing operations span across 26 facilities across 15 countries serving consumers in over 60 countries. Besides 'Asian Paints', the group operates around the world through its various brands viz. Asian Paints Berger, Apco Coatings, SCIB Paints, Taubmans, Causeway Paints and Kadisco Asian Paints. The company operates through more than 70,000 dealers and over 430 colour ideas stores across the country. In addition, as the company has been diversifying to other related categories of home-décor, interior services and bath fittings it is also opening new AP Homes Stores and has so far opened 10 such multi-category integrated stores across the country. These stores offer products & solutions across categories of paints wallpapers, modular kitchens, bath fittings, sanitaryware, furnishings and light fittings, among others.

The company is absolute market leader in the country and has been leading the home décor coatings space for more than 50 years in India. Apart from that, APL is the 3rd largest paint company in Asia and 9th largest paint company in the world.

Over the last 10,5 and 3 years, the company's turnover has increased at a compounded annual growth rate (CAGR) of 12%, 8% and 10%, respectively while the profits have grown at a CAGR of 13%, 14% and 12% during the same period. The stock price has grown at a CAGR of 26%, 24% and 31% over the last 10,5 and 3 years, respectively. For the year ended March 31, 2020, the company had posted a turnover of Rs.20,211 cr and a net profit of Rs.2,705 cr. The company is virtually debt-free. As on March 31, 2021, the promoters hold 52.8% while the foreign and domestic institutions hold 21.1% and 7.0% leaving a float of less than 19.0% with public.

BUSINESS OVERVIEW

Offerings

Products

- Paints
- Chemicals
- Wall Coverings
- Textures
- Painting Aid
- Waterproofing Solutions
- Wall Stickers
- Mechanised Tools
- Kitchen Fittings
- Bath Fittings & Sanitaryware
- Sanitizers & Surface Disinfectants
- Adhesives
- Kitchens & Wardrobes

Services

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

Operations

Asia (93.5% of the consolidated turnover)

India, Bangladesh, Nepal, Sri Lanka, Indonesia

Brands

Asian Paints, (Sri Lanka – Asian Paints + Causeway Paints)

Middle East (3.1% of the consolidated turnover)

Oman, Bahrain, UAE

Brands

Asian Paints Berger

Africa (2.8% of the consolidated turnover)

Egypt, Ethiopia

Brands

Kadisco, Scib Paints

South Pacific (0.6% of the consolidated turnover)

Fiji, Solomon Islands, Samoa, Tonga, Vanuatu

Brands

Apco, Taubmans

Manufacturing

Asia (16)

India (10), Bangladesh (1),
Nepal (2), Sri Lanka (2), Indonesia (1)

Middle East (3)

Oman (1), Bahrain (1), Dubai (1)

Africa (5)

Egypt (2), Ethiopia (3)

South Pacific (2)

Fiji (1), Samoa (1)

BUSINESS OVERVIEW

Business Divisions

Decorative Coatings

The company has 8 decorative paints manufacturing plants across the country totaling 17,30,000 Kilolitres of installed capacities
4 segments: Interior walls, exterior walls, wood finishes, and metal finishes
Introduced new categories such as water-proofing, wall coverings, painting tools, adhesives
Caters through extensive distribution platform, to various price points, considering changing consumer requirements
Launches 20+ new products every year

International Operations

The group operates in 4 regions across Asia, Middle East, South Pacific and Africa
Through 7 brands – Asian Paints, Apco Coatings, AP Berger, Causeway Paints, SCIB paints, Taubmans, and Kadisco Asian Paints
Amongst the top-3 players in 12 out of 14 countries outside India

Industrial Coatings

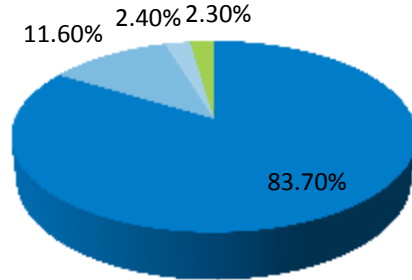
The company caters to the Indian industrial coatings market through 2 strategic JVs with PPG Inc. of USA
Offers a wide range of industrial coatings products – automotive coatings, refinishes, protective, floor, powder coatings, etc.
No.1 in auto refinishes, No. 2 in automobile OEM segment.

Home Improvement Business

Offer customized kitchen and wardrobes solutions; brand Sleek
Offer bath fittings and accessories, curated washroom areas; brands Ess Ess, bathsense, ap royale bathrooms
Focus on leveraging distribution strength and customer understanding in decorative segment to scale up this business

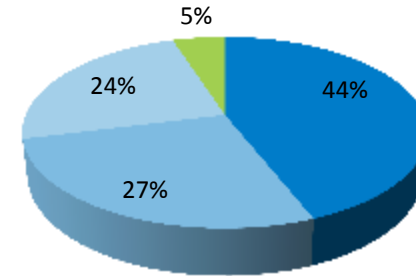
BUSINESS OVERVIEW

Segment-wise Revenue Break-up (FY20)



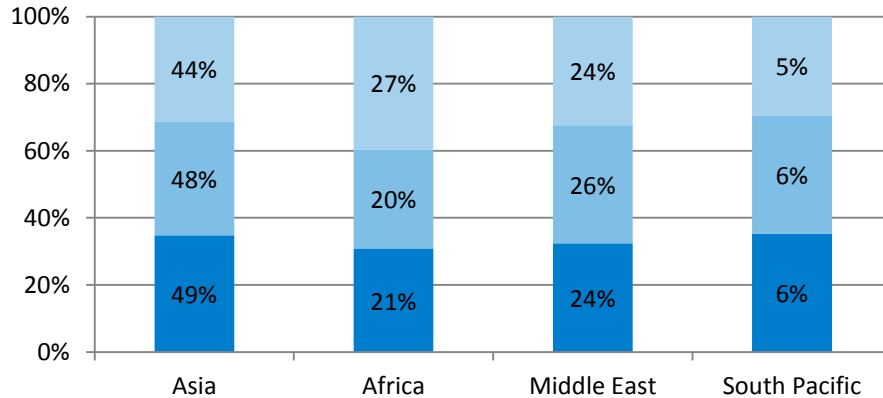
■ Decorative ■ International ■ Industrial ■ Home Improvement

Geography-wise Revenue Break-up (FY20)



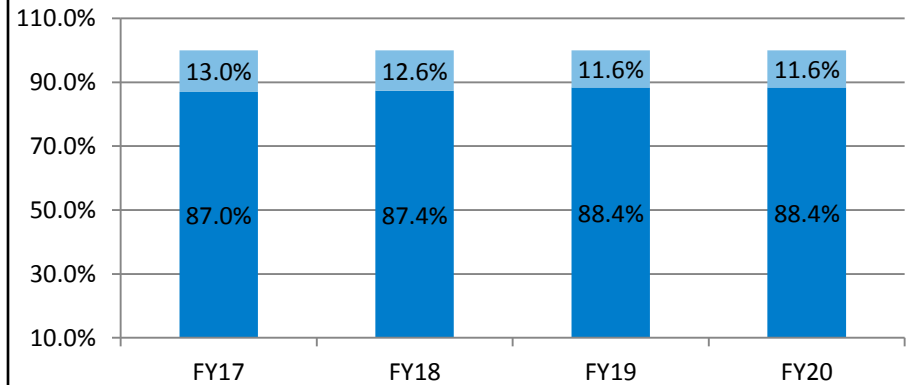
■ Asia ■ Middle East ■ Africa ■ South Pacific

Region-wise International Revenue Break-up



■ FY18 ■ FY19 ■ FY20

Region-wise Revenue Break-up

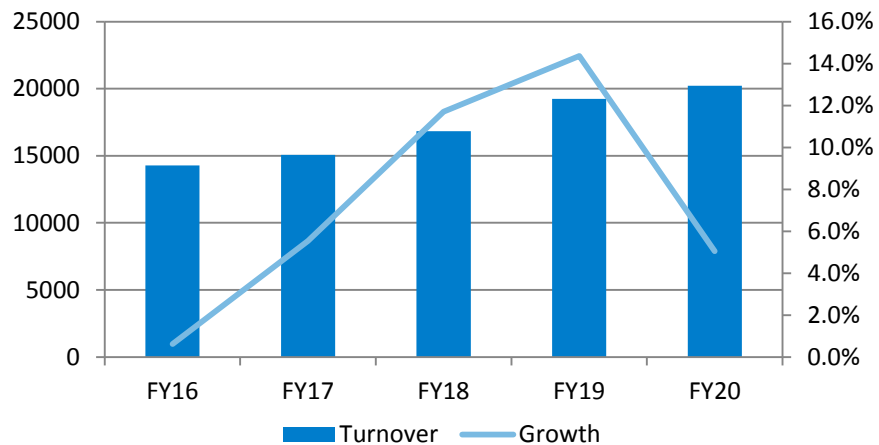


■ Domestic ■ International

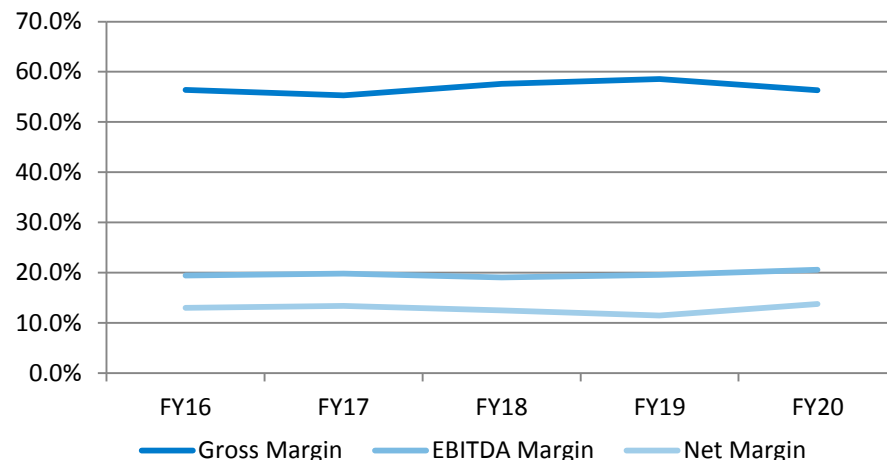
Source: Company Data, Sushil Finance

BUSINESS OVERVIEW

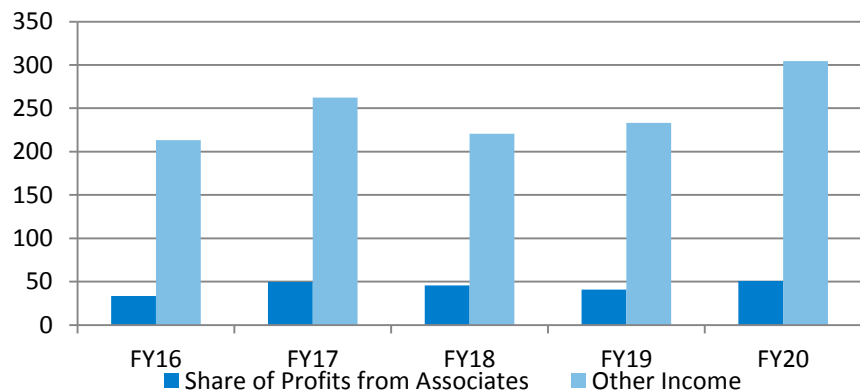
Sales & Sales Growth Trend



Profitability Trend

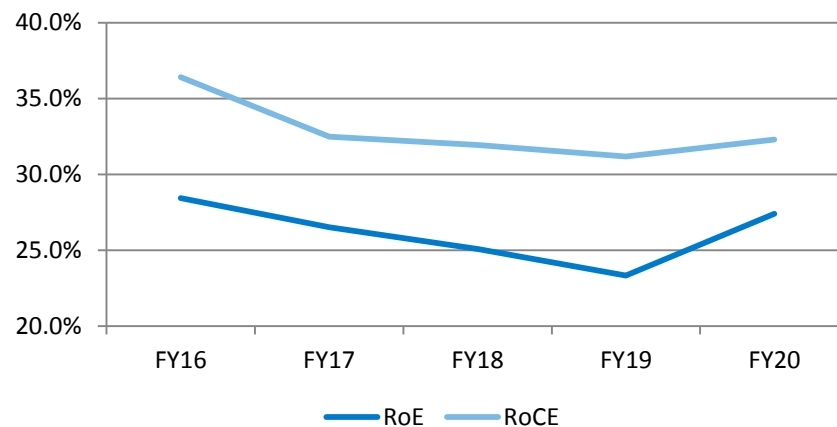


Trend in Share of Profits from Associates & Other Income



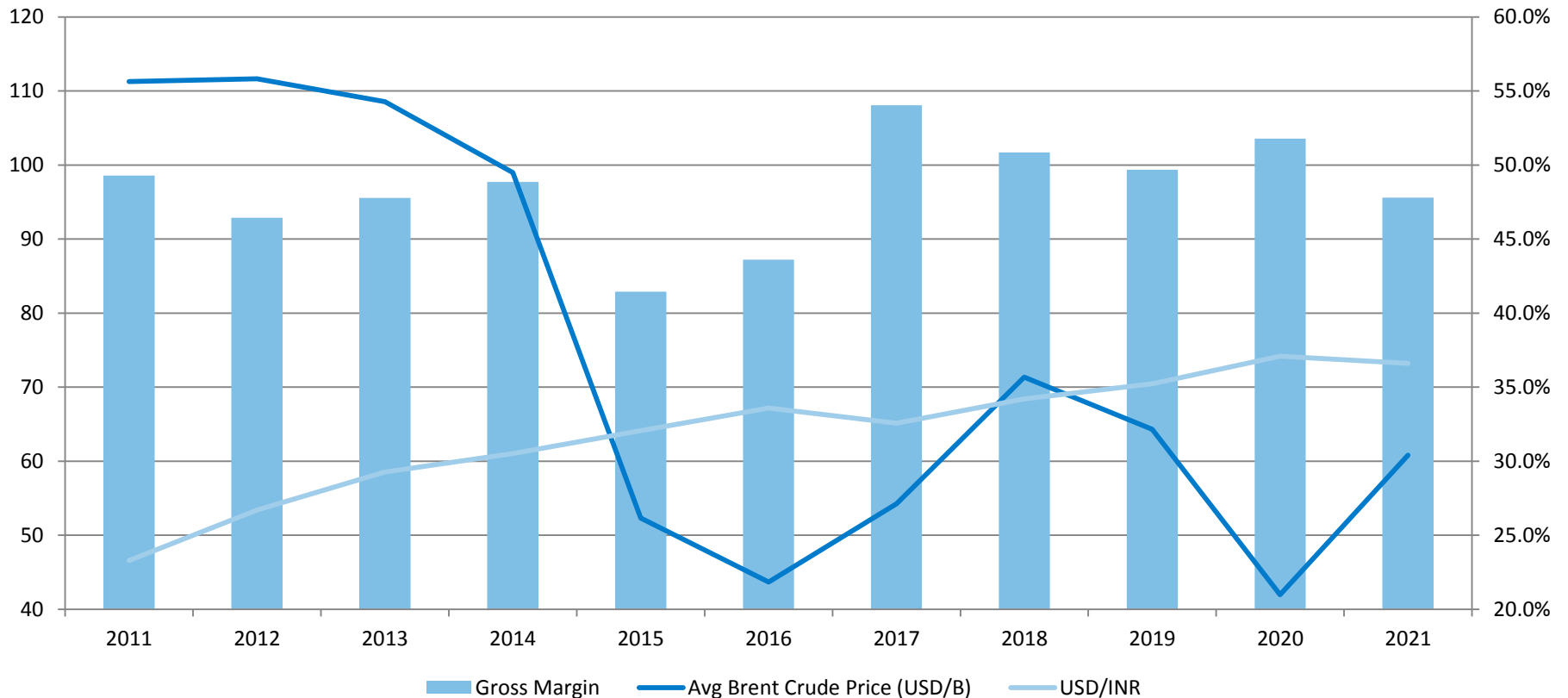
Source: Company Data, Sushil Finance

Trend in Return Ratios



BUSINESS OVERVIEW

Trend in Average Brent Crude Oil Price (\$/b), Exchange Rate (USD/INR) and Gross Margins



Please note that the above graph may not convey the requisite correlation in its true sense as crude price figures sourced from Statista and USD/INR exchange rate sourced from x-rates.com are for Calendar Years while gross margin is for Fiscal Year.

Source: Company Data, Statista, x-rates.com, Sushil Finance

INDUSTRY OVERVIEW

The size of the Indian paint industry is estimated at Rs.50,000 cr which comprises of two broad categories i.e. decorative and industrial - the decorative paint segment which comprises of exterior wall paints, interior wall paints, wood finishes, enamels, undercoats such as primers, putties, etc. constitutes more than 75% of the paint market while the industrial paint segment which comprises of automotive coatings, marine coatings, packaging coatings, powder coatings, protective coatings, floor coatings and other general industrial coatings makes up for the balance 25% of the paint market.

The organized part of the industry which is 65-70% is dominated by companies like Asian Paints, Berger Paints, Kansai Nerolac, Azko Nobel India while the small unorganized paint manufacturers primarily catering to the lower end of the price-points command the remaining 30-35% share in the overall paint industry. According to Statista, Asian Paints was the leading company in 2020, with an overall market share of about 39% followed by Berger Paints India (12%), Kansai Nerolac (11%) and Azko Nobel India (6%) while the remaining 32% of the market was held by other smaller players. In the organized segment, Asian Paints led the decorative market segment, while the industrial segment was led by Kansai Nerolac. However, according to the rating agency CRISIL, Asian Paints enjoys a dominant share of over 50% in the organized domestic paints market. Furthermore, the report states that in the decorative paints segment, which comprises 80-85% of the Indian paints industry, the company commands a giant market share of about 60%. It also holds a healthy position in the automotive industrial coatings segment with a market share of about 20%.

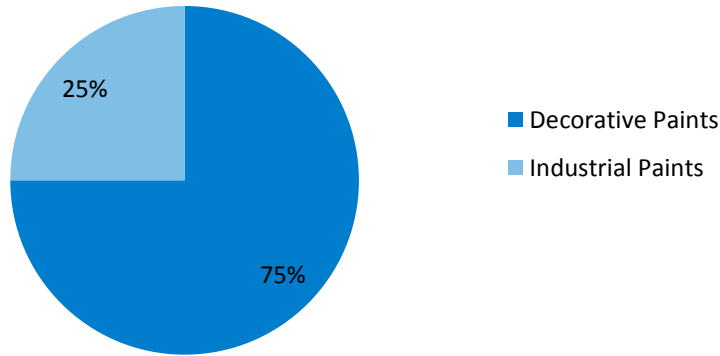
According to Research & Markets, the Indian paint industry is undergoing a gradual shift as the customer preferences is changing from the traditional whitewash to high-quality paints like emulsions and enamel paints, thereby, providing the underlying stability for growth of Indian paint industry. In addition, the paint industry is also driven by various factors including rise in disposable incomes, expanding middle class, urbanization; development of the rural market; and various launches of many innovative products, like friendly, odour-free, and dust & water-resistant paints. According to various industry reports, the per capita consumption of paints in India stands around 4 Kilogram (Kgs) as against the global average of 13-15 Kgs showcasing the immense growth potential for the sector in the future.

On the cost-side, the paint industry is widely affected by the movement in crude prices since as major raw material inputs include crude based derivatives and certain solvents. The international crude prices play a very important role in the Indian paints and coatings industry – for instance, during the recently concluded fiscal which was significantly affected by Covid-19 led shutdowns, the industry ended up recording substantially lower growth rate as compared to the previous year. Nevertheless, the weak raw material prices came to the rescue, helping the paint industry by not only maintaining its profitability but by also supporting the weak demand led by with some price reductions.

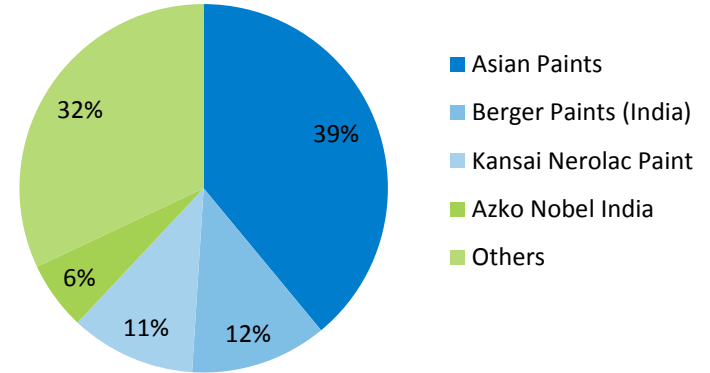
Going forward, the Indian paints industry is expected to grow steadily at a high single digit or early double digit growth over the next few years driven by the young population, urbanization and growing middle class. The demand in tier-1 and tier-2 towns outgrows the metros in the recent past. Furthermore, increasing disposable incomes, incremental consumption spend, and development of the rural markets will drive the growth in the Indian paint industry. Apart from that, the growing demand from the construction industry, coupled with government's focus on increasing infrastructure activities, will also drive the demand for the paints industry.

INDUSTRY OVERVIEW

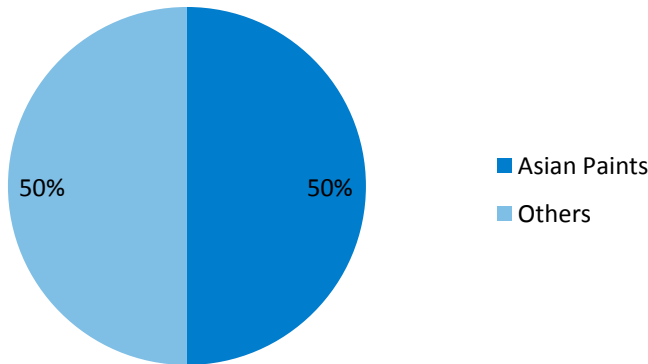
Segment-wise Industry Market Share



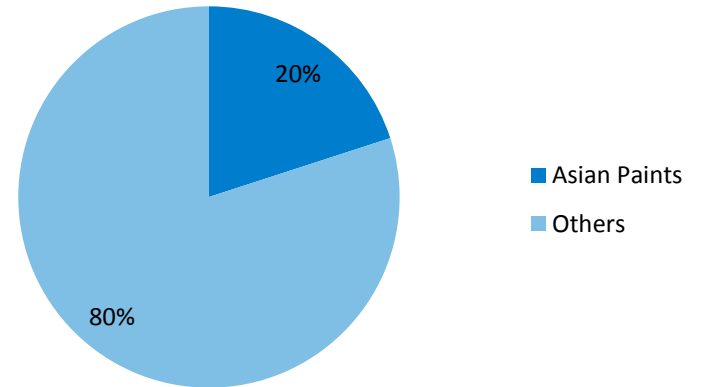
Company-wise Overall Industry Market Share



Decorative Paints Segment Market Share



Industrial Paints Segment Market Share



Source: Company, Statista, CRISIL, Sushil Finance

PEER COMPARISON



SHALIMAR
PAINTS



INDIGO
Be surprised!



NEROLAC

Company / Dealers	Sales (Rs. Cr)	EBITDA Margin (%)	Net Margin (%)	D/E (x)	CMP* (Rs.)	52 Week H/L (Rs.)	Mkt Cap (Rs. Cr)	Enterprise Value (Rs. Cr)	P/E (x)	P/S (x)	P/B (x)	EV/EBITDA (x)
Asian Paints / 70K+	20,211	20.6%	13.7%	0.0	2,616	2871/1483	250,927	250,484	90	12.4	22.7	60.2
Berger Paints / 25K+	6,366	16.5%	10.3%	0.3	717	825/431	69,593	69,769	106	10.9	24.3	66.3
Kansai Nerolac / 27K+	5,280	15.2%	9.9%	0.1	565	680/333	30,483	29,856	59	5.8	8.0	37.1
Indigo Paints / 11K+	625	14.6%	7.7%	0.3	2,350	3348/2192	6,820	11,094	143	10.9	56.8	121.9
Akzo Nobel / 20K+	2,662	13.9%	8.9%	0.1	2,244	2510/1760	10,233	9,829	43	3.8	8.4	26.6
Shalimar Paints / 5K+	344	NA	NA	0.5	91	117/51	494	594	NA	1.4	1.9	NA

Source: Screener, Company Data, Sushil Finance

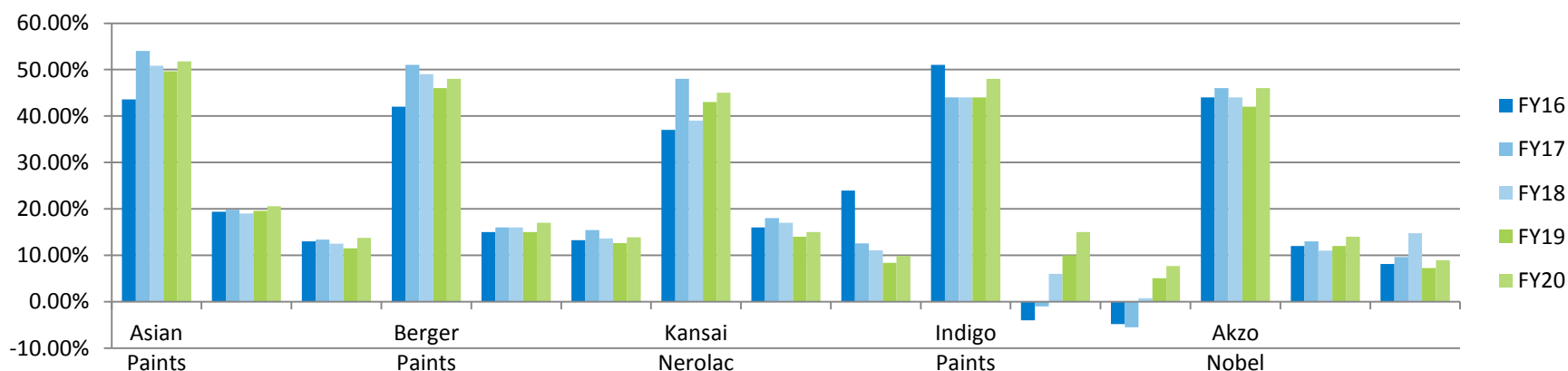
KEY INVESTMENT RATIONALE

Robust Supply Chain Management continues to play a significant role in growth and success of Asian Paints: The consistent improvisation, innovation and embracing the best of technology has led the company to one of the most efficient supply chain management models. Over the decades, the largest paints company of the country has focused on one mantra of ‘ensuring the right product at the right time at the right place’. Today, the company distributes its products through 70,000+ dealers much higher than the next ranked players Berger Paints (25,000+ dealers) and Kansai Nerolac (27,500+ dealers) showcasing a wider and deeper penetration. Further, its more about the effectiveness and efficiency of such dealership network which is driven by a modern IT infrastructure powered by enterprise applications SAP alongwith data analytics; the data from shop floor systems is analyzed using Industrial Internet of Things (IIoT) and predictive analytics to improve overall equipment effectiveness and manufacturing efficiencies. Further, the company has strategically designed its distribution network in order to serve its dealers in the least possible time and transportation cost. This has resulted in better warehouse and inventory management. Further, the company drives its distribution plan using an ERP (Enterprise Resource Planning) system to optimize freight cost. It also promotes suppliers wherever feasible, to set up their manufacturing units near to the company’s manufacturing locations leading to better margins. The above things reflect in stable working capital and the shortest cash conversion cycle amongst the big players. Accordingly, the company enjoys better profitability than its peers, particularly at the gross and operating levels.

“Asian Paints’ pioneering use of technology has also been critical to its growth. It bought its first mainframe computer in the 1970s back when computers were virtually unheard of in India. Soon it began using computers to forecast demand & improve the supply chain. It also introduced computerized color-matching back in the mid-1970s. There were PCs in branches by the early 1980s.”

Source: Forbes Article (Asian Paints Brightens Up India’s Growing Middle Class – dated, Aug 28, 2013)

Gross Margin, EBITDA Margin and Net Margins trend in leading players in paints sector



KEY INVESTMENT RATIONALE

Dominant market share in the growing industry: The company commands a leading market in the Indian paints industry – in the decorative segment, the company holds nearly 50% market share, and in the industrial segment, it commands nearly 20% market share. Overall, in the entire gamut of paints the company commands a market share of ~39% which is more than 3x of its closest two peers. The company is the 3rd largest paint company in Asia and 9th largest paint company in the world. The paints industry grows 1.5-2.0x of GDP growth and has been growing at a double digit for last couple of decades. APL also has grown at a CAGR of 12% over the last decade. India being a growing country and relatively much lower per capita consumption of paints (the per capita consumption of paints in India stands around 4 Kgs as against the global average of 13-15 Kgs) as against its global peers is likely to keep this growth intact in the future. Further, the company owns the largest distributor network with more than 70,000 dealers (nearly 2.5-3x of its nearest peers) which are its direct point of sales without any intermediary channels – this set up is going to support this anticipated growth going forward.

Asian Paints ranks 1st in Indian, 3rd in Asian and 9th in the global paint industries.

Constant innovation and diversification: Apart from the dominant position in the domestic markets, over the years, the company has expanded its reach to other geographies as well and commands a leading position in many of these countries. Although, international revenue consists just nearly 11.6% as of now but has been growing consistently. Over the last 3 years, the turnover from international operations has increased from Rs.1,958 cr in FY17 to Rs.2,342 cr in FY21. A majority of these international revenue comes from South East Asian countries and Africa (~71% of the international turnover) which are in their growth phase and will continue to grow in the near future. Besides the geographical diversification, the company is constantly innovating and working on diversifying its revenue by introducing new products, new product lines and services. Today, apart from the paints, the company also offers various other products including wall coverings, textures, waterproofing solutions, wall stickers, mechanized tools, kitchen fittings, bath fittings & sanitaryware, adhesives and kitchens & wardrobes. Additionally, the services being offered by the company include home painting services, interior design services, experience retail stores, colour consultancy, etc. The home improvement segment which contributed just 2.3% of the consolidated turnover of FY20 has huge potential to scale up driven by changing trends in the middle class spending – the growing middle class is now aware of latest décor trends and is willing to spend more on home-refurbishment and home improvement. The company is constantly investing into brand building and promotional activities which is likely to result in the years to come. Moreover, the company caters to a wide range of markets – from premium segments under its 'Royale' product-line ranging from Rs.300-1250 per litre to economic segments under its product-line 'Tractor' which ranges from Rs.60-300 per litre.

The home improvement segment which contributed 2.3% of the consolidated turnover in FY20 has huge potential to scale up driven by evolving trends in the middle class spending

KEY INVESTMENT RATIONALE

Unorganized to organized shift and other industry trends : The Indian paints sector is estimated to be Rs.50,000 cr, of which, nearly one-third is estimated to be captured by unorganized sector. The share of unorganized sector in the Indian paints industry is consistently shrinking following the demonetization and implementation of Goods & Services Tax. The GST not only brought the unorganized players with-in the tax-net but also reduced the tax burden of the organized players. Besides, the paint industry is gradually witnessing a consistent shift in the customer preferences from the traditional whitewash to high quality paints like emulsions and enamel paints. The growing middle class, the rising income levels, increasing urbanization, the expanding housing sector, budding nuclear families and the changing consumer preferences are some of the other key drivers which are likely to remain intact in the years to come which is likely to drive the growth of the sector. According to several industry articles and reports, the Indian paints industry is likely to reach a milestone of Rs.75,000 cr or USD 10 bn over the next few years. All these factors coupled with huge market share makes APL a lucrative investment opportunity for the medium to long term. In the short-term, there might be blips on account of second wave of covid-19 or any substantial spike in crude led raw material prices, which, nevertheless, would be a good investment opportunity.

The Indian paints industry is likely to reach a milestone of Rs.75,000 cr or USD 10 bn over the next few years.

Consistent capacity expansion and robust fundamentals: The company steadily invests in new capacities to support the top-line growth and retaining market share. On an average, the company has been doubling its capacities every 4-6 years. Accordingly, the installed capacities have steadily increased from 4.44 lakh kilolitres in FY10 to 17.3 lakh kilolitres in FY20 following the new plants established in Mysuru and Vishakhapatnam. Further, the expansion project of the existing plant in Indonesia progressed on schedule; work also commenced on their second plant in Bangladesh. Despite consistent expansions, the company's debt-equity is virtually negligible because of strong cash-flows and stellar working capital management. The company commands highest profit margins in the industry. Even though company broadly manages to pass on any increase in raw material prices but it primarily administers its profitability through continuous upgradations of technology. The fiercely integrated back-end with the supply team and successfully managing the huge distribution network is the key to the company's success over the past several decades. The strong balance sheet despite consistent capex also provides a financial cushion to company's other endeavors like home improvement segment and various services offered. Thus, the robust balance sheet, steady cashflow, superior liquidity will help the company in maintaining its leadership position, steady top-line growth, stable profit margins leading to healthy dividend payouts and rich valuations. Over the last decade, the company's turnover has increased at a CAGR of ~12% - the profits have increased at a CAGR of ~13% - and the stock price has increased at a CAGR of ~26%.

Over the last decade, the company's sales have grown at a CAGR of ~12%; the profits have risen at a CAGR of ~13% while the stock has grown at a CAGR of ~26%.

WHY YOU SHOULD BUY?

- ❖ **Leadership position:** APL holds 50% market share in decorative, 20% share in industrial and 39% in overall paints space; ranks 1st in the country, 3rd in Asia and 9th in the world.
- ❖ **Largest distribution network:** The company commands a distribution network of over 70,000 dealers (2.5x of its nearest competitor) with strongly integrated back-end with supply chain leading to brilliant inventory management and working capital.
- ❖ **Diversification:** Not only the company is expanding geographically but also diversifying its business by foraying into relevant services like interiors, home improvement, consultancy, etc.
- ❖ **Strong brand recall:** Over the decades, the company's advertising and promotional strategies have built a strong brand recall and the mother brand has become a household name.
- ❖ **Substantially low consumption alongwith favorable industry trends:** The per capita paints consumption in India is just 4 Kgs as against global average of 12-13 Kgs; further, the industry trends such as growing middle class, the rising income levels, increasing urbanization, the expanding housing sector, budding nuclear families and the changing consumer preferences alongwith structural push like unorganized to organized switch is likely to support the growth going forward.
- ❖ **Robust fundamentals:** Consistent growth, steady profit margins, negligible debt, strong cash flows, stable working capital led by excellent supply chain management and inventory management coupled with consistent capex to support the growth. Healthy dividend payouts.

KEY RISKS

- ❖ **Raw material price increase:** A majority of raw materials are crude-related and any substantial increase in the crude oil prices may affect the profitability of the company in the short term. However, in the medium to long term the company manages to pass on to the customers. Further, substantial raw material imports as well as international presence may lead to currency risk.
- ❖ **Economic slowdown/pandemic risk:** If the economy slows down led by partial or complete lockdowns on account of the ongoing second wave of Covid-19 would affect the demand for paints.

OUTLOOK & VALUATION

APL is India's leading paints company and commands 39% market share – 50% in decorative paints and 20% in industrial paints. The company with presence in 26 countries also boasts of one of the most efficient supply chain including 70,000+ dealers. Leveraging the expertise in the segment and wide reach, APL has forayed into other relevant segments such as Home Improvement which is quite scalable. Further, the strong fundamentals including consistent growth, virtually debt-free status, robust cash position, relatively high margins, working capital management alongwith strong brand equity plays a key role. **Going forward, we expect the company to deliver an EPS of Rs.44.9 in FY23; assigning a target multiple of 70x we arrive at a target price of Rs.3,140 showcasing an upside potential of 20.0% from current levels with an investment horizon of 18-24 months.**



9M FY21 Result Performance			(Rs. Cr)
Y/E Mar.	9M FY21	9M FY20	YoY
Revenue	15,061.4	15,575.7	(3.3%)
Raw Material Cost	8,317.9	8,872.9	
Employee Cost	1,128.6	1,030.5	
Other Expenses	2,077.5	2,370.2	
Capitalized Expenses	-	-	
EBITDA	3,537.3	3,302.2	7.1%
<i>EBITDA Margin (%)</i>	<i>23.5%</i>	<i>21.2%</i>	<i>229 bps</i>
Depreciation	577.9	586.0	
EBIT	2,959.4	2,716.2	9.0%
<i>EBIT Margin (%)</i>	<i>19.6%</i>	<i>17.4%</i>	<i>221 bps</i>
Finance Costs	61.8	76.7	
Other Income & Share	250.4	295.3	
Profit before Tax	3,125.3	2,888.0	8.2%
Tax Expense	811.2	635.9	
Net Profit (Post Minority)	2,287.2	2,243.3	2.0%
<i>Net Margin (%)</i>	<i>15.2%</i>	<i>14.4%</i>	<i>78 bps</i>
EPS	23.8	23.4	2.0%

PROFIT & LOSS STATEMENT

(Rs. Cr)

Y/E Mar.	FY20	FY21 E	FY22 E	FY23 E
Revenue	20,211	20,514	22,976	27,112
Raw Material Cost	11383	11324	12706	15020
Employee Cost	1366	1498	1654	1952
Other Expenses	3300	2975	3377	4040
EBITDA	4162	4718	5239	6100
<i>EBITDA Margin (%)</i>	<i>20.6%</i>	<i>23.0%</i>	<i>22.8%</i>	<i>22.5%</i>
Depreciation	781	731	729	740
EBIT	3381	3987	4510	5360
<i>EBIT Margin (%)</i>	<i>16.7%</i>	<i>19.4%</i>	<i>19.6%</i>	<i>19.8%</i>
Finance Costs	102	75	30	34
Other Income	304	308	368	434
Profit before Tax	3583	4220	4847	5759
Tax Expense	855	1013	1163	1369
Net Profit	2705	3143	3610	4303
<i>Net Margin (%)</i>	<i>13.4%</i>	<i>15.3%</i>	<i>15.7%</i>	<i>15.9%</i>
EPS	28.2	32.8	37.6	44.9

BALANCE SHEET STATEMENT

(Rs. Cr)

Y/E Mar.	FY20	FY21 E	FY22 E	FY23 E
PP&E (incl. CWIP)	4,905	4,892	4,967	5,041
Other Non-Current	3,670	3,670	3,670	3,670
Inventories	3,390	4,166	4,054	4,033
Trade Receivables	1,795	1,967	2,203	2,600
Cash and Bank Balances	783	1,262	1,735	3,435
Other Current Assets	1,612	1,532	3,056	3,598
Total Assets	16,155	17,489	19,686	22,376
Equity Share Capital	96	96	96	96
Reserves & Surplus	10,438	12,398	14,643	17,403
Borrowings (LT)	19	19	19	19
Other Non-Current Liabilities	632	632	632	632
Trade Payables	2,137	2,315	2,339	2,327
Other Financial Liabilities	1,374	1,026	919	813
Current Borrowings	321	102	125	152
Other Current Tax Liab & Provisions	374	137	150	170
Total Liabilities	16,155	17,489	19,686	22,376

Source: Company, Sushil Finance Research

CASH FLOW STATEMENT

Y/E Mar.	FY20	FY21 E	FY22 E	FY23 E
PBT	3,583	4,220	4,847	5,759
Depreciation	781	731	729	740
Interest	102	75	30	34
CFO before Working Cap chg	4,466	5,026	5,606	6,534
Chg in Inventories	(240)	(777)	112	21
Chg in Trade Receivables	114	(172)	(236)	(397)
Chg in Trade Payables	(258)	178	24	(12)
Chg in Current Assets & Liabilities	(201)	(297)	(119)	(126)
Income Taxes Paid	(855)	(1,013)	(1,163)	(1,369)
Cash Flow from Operations	(1,440)	(2,080)	(1,382)	(1,883)
Interest Paid	(102)	(75)	(30)	(34)
Dividend Paid	(1,151)	(1,247)	(1,439)	(1,631)
Other Adjustments	(409)	(427)	(1,478)	(1,972)
Cash Flow from Financing	(1,663)	(1,749)	(2,947)	(3,637)
Capital Expenditure	(287)	(718)	(804)	(813)
Other Adjustments	(739)	-	-	-
Cash Flow from Investing	(1,026)	(718)	(804)	(813)
Opening Cash	445	783	1,262	3,235
Total Cash Flow	338	479	473	201
Closing Cash	783	1,262	1,735	3,435

Source: Company, Sushil Finance Research

FINANCIAL RATIO STATEMENT

Y/E Mar.	FY20	FY21 E	FY22 E	FY23 E
Growth (%)				
Revenue	5.0%	1.5%	12.0%	18.0%
EBITDA	10.5%	13.4%	11.0%	16.4%
PAT	25.5%	16.2%	14.8%	19.2%
Profitability (%)				
EBITDA Margin	20.6%	23.0%	22.8%	22.5%
PAT Margin	13.4%	15.3%	15.7%	15.9%
RoCE	32.3%	32.7%	31.1%	31.0%
RoE	26.7%	26.0%	25.2%	25.2%
Per Share Data				
AEPS	28.2	32.8	37.6	44.9
CEPS	36.3	40.4	45.2	52.6
BVPS	105.6	126.0	149.5	178.2
Valuations (x)				
PER	92.8	79.8	69.5	58.3
P/BV	24.8	20.8	17.5	14.7
EV / EBITDA	60.2	53.1	47.8	41.1
Mcap / Net Sales	12.4	12.2	10.9	9.3
Turnover Days				
Inventory Days	128	135	130	130
Debtors Days	32	35	35	35
Creditors Days	80	75	75	75
Gearing Ratio				
Total Debt - Equity	0.03	0.01	0.01	0.01

Rating Scale : This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

Total Expected Return Matrix (Rating and Return)

BUY : Over 20%

HOLD : 0% to 20%

SELL : 0% to -20%

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Stock Recommended to Clients	Yes
Remuneration/Benefits received from company in 12 months	No
Merchant Banking Market Making activities / projects	No
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Sushil Financial Services Pvt. Ltd and Group Directors Holding	No
Broking Relationship with the company covered	No