

Industry  
Bloomberg  
BSE CODE

Consumers  
APNT IN  
500820

## Urban slowdown amidst rising number of disease will impact volumes.

RATING	NEUTRAL
CMP	1711
Price Target	1444
Potential Upside	-16%
Rating Change	↔
Estimate Change	↓
Target Change	↓

STOCK INFO	
52wk Range H/L	1916/1432
Mkt Capital (Rs Cr)	170521
Free float (%)	47%
Avg. Vol 1M (,000)	75
No. of Shares (Crs)	96
Promoters Pledged %	12%

### 1QFY21 Result Update

- In 1QFY20, ASIANPAINT revenue declined by 42.7% to Rs. 2923 cr. Impacted on account of nationwide lock down in Apr-20 amidst COVID-19. The decorative business in India saw improvement in demand over May & June led by Tier II, Tier III and Tier IV cities after complete washout in April.
- The automotive coating JV (PPG-AP) continues to be remain affected due to Covid-19 coupled with slowdown in the domestic automotive industry while the industrial coatings JV (AP-PPG) also remained impacted due to COVID-19.
- Both the segments in the Home Improvement category viz. the Kitchen (Sleek) and Bath business, remained impacted due to COVID and were affected to the extent of 50% in terms of top line vs. previous corresponding quarter.
- The Company's units in UAE and Africa posted good traction as the lock down in these countries got opened in April-20 while Asia remained the most affected with Nepal being severely impacted due to lock down in April and May and Ethiopia posted low single digit growth.
- The Company's Gross margin improved by 109 bps to 44.7% YoY on account of decline in raw material prices coupled with cost saving measures undertaken by the company while EBITDA margin declined by 611 bps to 16.6% YoY led by higher employee expense on account of increase in retirement liabilities during the quarter.
- PAT for the quarter stood at Rs. 234 cr. Impacted on account of lower top line and EBITDA margin deterioration with PAT margin of 8% in 1QFY21.

### View and Valuation

In 1QFY21, volumes from decorative business remained impacted due to shut down of operation in Apr-20 amidst lock down. Going forward demand is expected from the waterproofing and adhesives category with the advent of monsoon in many parts of the country while decorative business is also expected to show some traction. The Company initiatives like safe painting and terrace waterproofing have been well accepted by the customers. The company JV (PPG-AP) and Home improvement are expected to remain muted due to slow down in automotive and real estate space on the other hand industrial coatings JV (AP-PPG), exterior textures, smart care waterproofing, adhesive, premium & value portfolio and surface sanitizer (launched amidst pandemic) are expected to show positive trends. On the Gross margin front, benign raw material prices will further aid margin expansion while higher employee cost and other expenses amidst COVID-19 may impact EBITDA margin expansion. Thus we remain positive on the stock in long run but considering the current prevailing situations like subdued urban demand, lower discretionary spends, vertical lockdown amidst rising number of COVID-19 we maintain our NEUTRAL rating with a target price of Rs. 1444.

### Key Risks to our rating and target

- Further extension in lockdown in urban area.
- Steepest increase in input prices.

### RESEARCH ANALYST

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Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY17	FY18	FY19	FY20	FY21E
Net Sales	15062	16825	19342	20211	18863
EBITDA	2986	3198	3525	4162	3967
EBIT	2652	2837	3094	3381	3202
PAT	1914	1969	2159	2779	2568
EPS (Rs)	20	21	23	29	27
EPS growth (%)	11%	5%	6%	28%	-7%
ROE (%)	27%	25%	24%	28%	24%
ROCE (%)	33%	31%	30%	30%	26%
BV	79	88	99	106	117
P/B (X)	13.5	12.8	15.0	15.8	14.6
P/E (x)	53.0	52.7	66.3	57.6	63.9

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## 1QFY21 Results

### Below expectation

Fig in Rs Cr

FINANCIALS	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY%	QoQ%	FY19	FY20	YoY%
Net Sales	5,105	5,051	5,420	4,636	2,923	-42.7%	-37.0%	19,342	20,211	4.5%
Other Income	74	105	70	56	47	-35.9%	-15.6%	227	304	34.0%
Total Revenue	5,178	5,156	5,490	4,691	2,970	-42.6%	-36.7%	19,569	20,516	4.8%
COGS	2,877	2,907	3,089	2,511	1,615	-43.9%	-35.7%	11,342	11,383	0.4%
Gross Margin	44%	42%	43%	46%	45%	1.1%	-1.1%	41%	44%	2.3%
Employee exp.	340	348	343	336	362	6.4%	7.7%	1,270	1,366	7.6%
Other Expenses	730	841	799	930	462	-36.7%	-50.3%	3,205	3,300	3.0%
EBITDA	1,158	955	1,189	860	484	-58.2%	-43.7%	3,525	4,162	18.1%
EBITDA Mar.	23%	19%	22%	19%	17%	-6.1%	-2.0%	18%	21%	2.4%
Depreciation	192	197	197	195	191	-0.3%	-1.7%	431	781	81.2%
EBIT	966	758	992	665	293	-69.7%	-55.9%	3,094	3,381	9.3%
Interest	27	26	24	26	20	-24.5%	-21.6%	51	102	100.6%
PBT	1,013	837	1,038	695	320	-68.4%	-54.0%	3,270	3,583	9.6%
Exceptional Item	-	-	-	-	-	0.0%	0.0%	-	-	0.0%
Tax	351	7	278	219	86	-75.5%	-60.7%	1,099	855	-22.2%
PAT frm dis. Operation	(2)	(3)	-	-	-	0.0%	0.0%	-	(6)	-
Share of P/L frm associate	12	15	19	4	-	-100%	-100%	41	51	24.3%
Minority Int	-	-	-	-	-	-	-	(52)	-	-100.0%
PAT	672	842	780	480	234	-65.2%	-51.3%	2,159	2,774	28.5%
PAT Margin	13%	17%	14%	10%	8%	-5.2%	-2.4%	11%	14%	2.6%

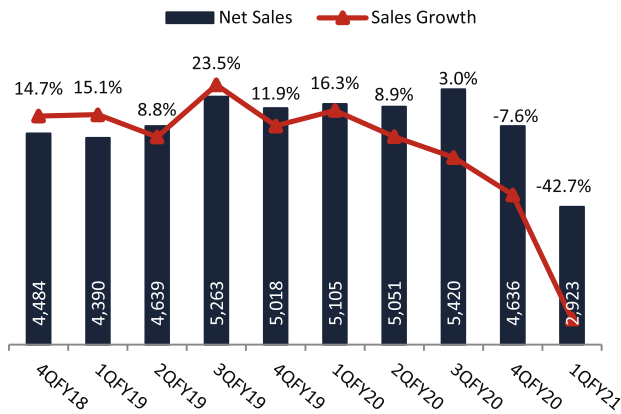
## Concall Highlights

### Result update

- The decorative business in India saw improvement in demand over May & June after complete washout in April.
- The Business picked up led by better demand conditions in Tier II, Tier III and Tier IV cities while urban and metros remained slow due to higher impact of Pandemic.
- The Company's business achieved 80% of the base volumes in May and managed to grow by more than 14% in June-20.
- At an overall level for the first quarter the business was able to achieve 62% of the base of PY in volumes and 56% in value terms led by premium products and up gradations across markets and categories.
- The Company's foray into health and health and hygiene segment with Viroprotekt has helped to push Royal health shield (new variant which offers all surface anti-bacterial protection).
- Introduction of new sanitizing service has added to the company's service brand.
- The Company's International business posted double digit volume growth in June after negative growth in April & May.
- The Company's units in UAE and Africa posted good traction as the lock down in these countries got opened in April-20 while Asia remained the most affected with Nepal being severely impacted due to lock down in April and May and Ethiopia posted low single digit growth.
- The Softer material prices coupled with management focus on cost saving measures resulted into gross margin expansion for coating business in India as well in International markets.
- As of now the company is back on the inventory level of march-20.
- Dealer expansion has happened in the month of May & June-20.
- The Company witnessed good response from Nepal and Bangladesh post lock down got opened in June post lock down.
- As per Management, the customers are moving towards premium and value for money in interiors segment than luxurious segment in exteriors.
- The Management expects growth trajectory in waterproofing will be better than painting in coming times. The company will focus on core strengths, cost rationalization and cash conservation.
- The Management expects demand from Tier II, Tier III and Tier IV cities to continue led by good monsoon.

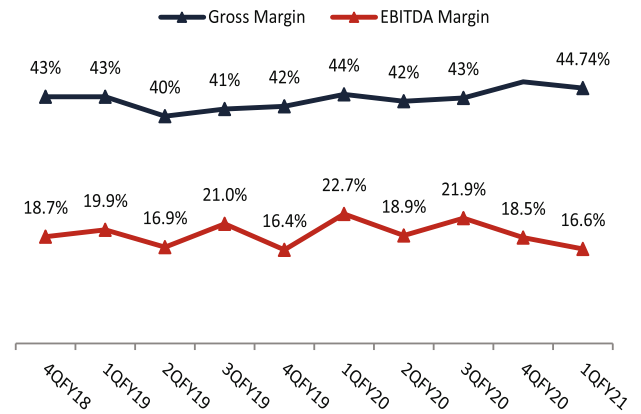
## Exhibit: Revenue and revenue growth trend

Sales remained impacted on account lower vol. due to nation-wide lockdown which in turn impacted value growth.



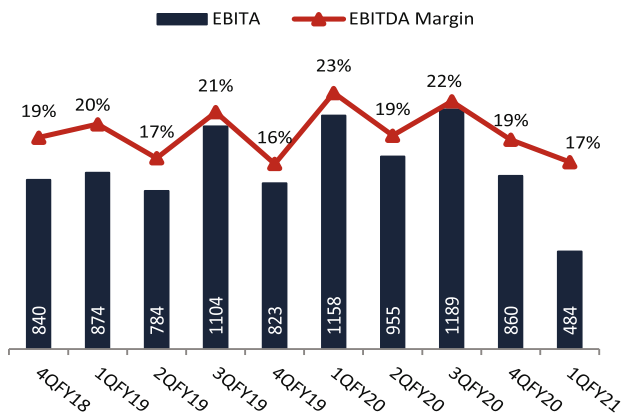
## Exhibit: Gross and EBITDA margin %

Gross margin expansion was driven by softer material prices and cost saving measures.



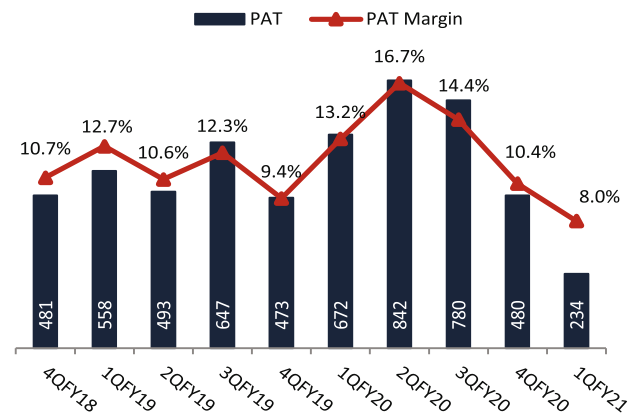
## Exhibit: EBITDA and EBITDA margin

EBITDA margin remained impacted due to exceptional increase in employee expenses.



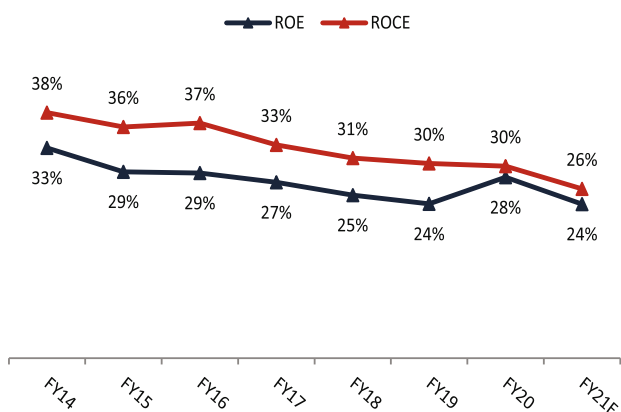
## Exhibit: PAT and PAT Margin

PAT remained impacted on account of lower volumes and EBITDA deterioration.



## Exhibit: Return Ratios %

ROE and ROCE is expected to be at 24% / 26% respectively in FY21.



## Financial Details

### Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
<b>Share Capital</b>	<b>96</b>	<b>96</b>	<b>96</b>	<b>96</b>	<b>96</b>	<b>96</b>	<b>96</b>	<b>96</b>
Reserves	3,943	5,452	6,429	7,508	8,314	9,424	10,034	11,115
<b>Net Worth</b>	<b>4,039</b>	<b>5,548</b>	<b>6,525</b>	<b>7,604</b>	<b>8,410</b>	<b>9,520</b>	<b>10,130</b>	<b>11,210</b>
<b>Minority Interest</b>	<b>246</b>	<b>346</b>	<b>384</b>	<b>375</b>	<b>328</b>	<b>363</b>	<b>404</b>	<b>404</b>
Debt	240	410	304	546	521	616	340	585
Other Non Current Liab	292	378	431	516	566	730	1,222	730
Total Capital Employed	4,817	6,681	7,643	9,041	9,824	11,229	12,096	12,929
Net Fixed Assets (incl CWIP)	2,492	2,607	3,324	3,368	4,810	5,740	6,093	7,276
Investment in Associates	-	242.1	274.8	319.8	365.9	406.9	456.6	456.6
Other non-current assets	671	1,252	1,227	1,768	1,693	1,881	2,025	1,881
<b>Non Current Assets</b>	<b>3,162</b>	<b>4,101</b>	<b>4,826</b>	<b>5,456</b>	<b>6,869</b>	<b>8,027</b>	<b>8,575</b>	<b>9,614</b>
Inventory	2,070	2,200	1,998	2,627	2,658	3,150	3,390	3,109
Debtors	1,110	1,125	1,187	1,447	1,731	1,907	1,795	1,675
Cash & Bank	229	195	337	582	312	276	564	994
Other Current Assets	1,506	1,715	2,213	2,310	2,213	2,301	1,831	1,579
<b>Current Assets</b>	<b>4,915</b>	<b>5,235</b>	<b>5,735</b>	<b>6,966</b>	<b>6,914</b>	<b>7,634</b>	<b>7,580</b>	<b>7,358</b>
Creditors	1,746	1,534	1,565	1,923	2,160	2,394	2,137	1,960
Provisions	576	40	57	49	57	76	62	64
Other Current Liabilities	939	1,080	1,296	1,408	1,742	1,962	1,860	1,735
<b>Curr Liabilities</b>	<b>3,260</b>	<b>2,654</b>	<b>2,918</b>	<b>3,380</b>	<b>3,959</b>	<b>4,432</b>	<b>4,059</b>	<b>3,759</b>
<b>Net Current Assets</b>	<b>1,655</b>	<b>2,581</b>	<b>2,817</b>	<b>3,585</b>	<b>2,955</b>	<b>3,202</b>	<b>3,521</b>	<b>3,599</b>
<b>Total Assets</b>	<b>8,078</b>	<b>9,336</b>	<b>10,561</b>	<b>12,421</b>	<b>13,783</b>	<b>15,661</b>	<b>16,155</b>	<b>16,971</b>

### Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
<b>Revenue from Operation</b>	<b>12,715</b>	<b>14,183</b>	<b>14,271</b>	<b>15,062</b>	<b>16,825</b>	<b>19,342</b>	<b>20,211</b>	<b>18,863</b>
Change (%)	0	12%	1%	6%	12%	15%	4%	-7%
Other Income	134	170	213	262	221	227	304	311
<b>EBITDA</b>	<b>1,998</b>	<b>2,235</b>	<b>2,769</b>	<b>2,986</b>	<b>3,198</b>	<b>3,525</b>	<b>4,162</b>	<b>3,967</b>
Change (%)	0	12%	24%	8%	7%	10%	18%	-5%
Margin (%)	0	16%	19%	20%	19%	18%	21%	21%
Depr & Amor.	246	266	276	335	360	431	781	765
<b>EBIT</b>	<b>1,752</b>	<b>1,969</b>	<b>2,494</b>	<b>2,652</b>	<b>2,837</b>	<b>3,094</b>	<b>3,381</b>	<b>3,202</b>
Int. & other fin. Cost	42	35	41	30	35	51	102	81
<b>EBT</b>	<b>1,844</b>	<b>2,104</b>	<b>2,666</b>	<b>2,884</b>	<b>3,023</b>	<b>3,270</b>	<b>3,583</b>	<b>3,432</b>
Exp Item	(10)	(28)	(52)	-	-	-	-	-
Tax	572	650	844	943	1,041	1,099	855	864
share of profit/(loss) of associates	-	-	33	50	46	41	51	-
Minority Interest	(44)	(32)	(58)	(77)	(59)	(52)	-	-
Reported PAT	1,219	1,395	1,745	1,939	2,039	2,159	2,774	2,568
<b>Adjusted PAT</b>	<b>1,229</b>	<b>1,423</b>	<b>1,798</b>	<b>1,914</b>	<b>1,969</b>	<b>2,159</b>	<b>2,779</b>	<b>2,568</b>
Change (%)	0	16%	26%	6%	3%	10%	29%	-8%
Margin(%)	0	10%	12%	13%	12%	11%	14%	14%

## Financial Details

### Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Current Ratio	2	2.0	2.0	2.1	1.7	1.7	1.9	2.0
Debt-Equity Ratio	0	0.1	0.0	0.1	0.1	0.1	0.0	0.1
Interest Coverage Ratio	42	56.7	61.3	88.4	80.9	60.7	33.0	39.6
Capital Turnover Ratio	3.1	2.5	2.2	2.0	2.0	2.0	2.0	1.7
Fixed Asset Turnover Ratio	5.1	5.6	4.8	4.5	4.1	3.7	3.4	2.8
Inventory Days outstanding	102.9	100.7	90.6	115.1	100.1	101.4	108.7	108.7
Accounts Receivable Days outstanding	31.9	29.0	30.4	35.1	37.5	36.0	32.4	32.4
Accounts Payable Days outstanding	86.8	70.3	71.0	84.3	81.4	77.1	68.5	68.5
ROCE	0.4	36.1%	36.7%	33.3%	31.2%	30.4%	30.0%	26.4%
ROE	0.3	29.1%	28.9%	27.5%	25.5%	24.1%	28.2%	24.1%
FCF per Share	12.2	7.8	15.0	9.0	7.3	11.3	22.2	30.7
Price / EPS	43	55.6	47.7	53.0	52.7	66.3	57.6	63.9
Price / Book Value	13	14.0	12.8	13.5	12.8	15.0	15.8	14.6
EV/EBITDA	26	34.1	29.4	33.7	33.2	40.1	38.1	40.9
EV/Sales	4.0	5.4	5.7	6.7	6.3	7.3	7.8	8.6
Div Yield	0.0	0.8%	0.9%	1.0%	0.8%	0.7%	0.7%	0.8%

### Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
<b>PBT</b>	<b>1,834</b>	<b>2,077</b>	<b>2,614</b>	<b>2,964</b>	<b>3,139</b>	<b>3,311</b>	<b>3,413</b>	<b>3,432</b>
(inc)/Dec in Working Capital	(168)	(450)	198	(603)	(80)	(427)	(533)	675
Non Cash Op Exp	174.2	159	193	61	100	262	625	578
Int Paid (+)	42	35	41	31	35	51	78	81
Tax Paid	(480.2)	(633)	(802)	(925)	(1,081)	(982)	(933)	(864)
<b>CF from Op. Activities</b>	<b>1,402</b>	<b>1,188</b>	<b>2,243</b>	<b>1,527</b>	<b>2,113</b>	<b>2,214</b>	<b>2,407</b>	<b>3,903</b>
(inc)/Dec in FA & CWIP	(235.4)	(438)	(802)	(667)	(1,409)	(1,134)	(280)	(960)
Free Cashflow	1,167	750	1,441	860	705	1,081	2,127	2,943
(Pur)/Sale of Inv	(408.7)	35	(77)	204	(57)	(209)	(288)	14
others	38.8	(75)	13	(193)	(134)	419	(207)	529
<b>CF from Inv. Activities</b>	<b>(605.2)</b>	<b>(478)</b>	<b>(866)</b>	<b>(656)</b>	<b>(1,599)</b>	<b>(924)</b>	<b>(775)</b>	<b>(417)</b>
inc/(dec) in NW	-	-	-	-	-	-	-	1
inc/(dec) in Debt	(36.9)	153	(110)	213	(44)	63	18	244
Int. Paid	(42.3)	(35)	(40)	(36)	(35)	(51)	(77)	(81)
Div Paid (inc tax)	(546.7)	(695)	(764)	(947)	(1,218)	(1,049)	(2,090)	(1,488)
others	-	-	66	13	(82)	154	54	(1)
<b>CF from Fin. Activities</b>	<b>(625.9)</b>	<b>(576)</b>	<b>(849)</b>	<b>(756)</b>	<b>(1,379)</b>	<b>(883)</b>	<b>(2,095)</b>	<b>(1,324)</b>
<b>Inc(Dec) in Cash</b>	<b>170.9</b>	<b>134</b>	<b>528</b>	<b>115</b>	<b>(865)</b>	<b>408</b>	<b>(462)</b>	<b>2,162</b>
Add: Opening Balance	738.8	931	1,050	1,578	1,668	846	1,156	694
<b>Net effect of exchange gain/(loss)</b>	<b>16.6</b>	<b>2</b>	<b>0</b>	<b>(25)</b>	<b>43</b>	<b>27</b>	<b>-</b>	<b>-</b>
<b>Closing Balance</b>	<b>926.4</b>	<b>1,067</b>	<b>1,578</b>	<b>1,668</b>	<b>846</b>	<b>1,280</b>	<b>694</b>	<b>2,856</b>

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Analyst's ownership of the stocks mentioned in the Report	NIL
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Registration details of Company: Narnolia Financial Advisors Ltd. (NFAL): SEBI Stock Broker Registration: INZ000166737 (NSE/BSE/MSEI); NSDL/CDSL: IN-DP-380-2018; Research Analyst: INH300006500, Merchant Banking: (Registration No.: INM000010791), PMS: (Registration No.: INP000002304), AMFI Registered Mutual Fund distributor: ARN 3087

Registration Details of Group entities: G. Raj & Company Consultants Ltd (G RAJ)-BSE Broker INZ260010731; NSDL DP: IN-DP-NSDL-371-2014 || Narnolia Commerze Limited (Formerly Microsec Commerze Ltd.)-MCX/NCDEX Commodities Broker: INZ000051636 || NarnoliaVeloX Advisory Ltd.- SEBI Registered PMS: INP000005109 || Eastwind Capital Advisors Pvt Ltd. (EASTWIND)-SEBI Registered Investment Adviser: INA300005439 || Narnolia Insurance Brokers Limited (Formerly Microsec Insurance Brokers Ltd.)-IRDA Licensed Direct Insurance Broker (Life & Non-Life) Certificate No. 134, License No. DB046/02 || Narnolia Securities Ltd. (NSL)-AMFI Registered Mutual Fund distributor: ARN 20558, PFRDA NPS POP: 27092018 || Narnolia Capital Advisors Pvt. Ltd. - RBI Registered NBFC:B.05.02568.

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