Twitter Thread by Mangalam Maloo

Mangalam Maloo
@blitzkreigm

GRASIM

- To grow in paints through the Capacity route by investing 10000 Cr

- Paints is also a brand, distributor, tinting machine game

- Will be interesting to see if Grasim will be able to scale that

#Thread on #AsianPaints industry dominance

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CAPACITY

Asian Paints capacity at FY20 end was 1.73 Bn Litres

Grasim targets 1.3 Bn litres (~75% of Asian Paints)

Asian Paints Current Capacity > Berger + Kansai + Indigo + Shalimar

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2/n

	Asian Paints	Berger Paints	Kansai Nerolac	Indigo Paints
FY 2018	1.13	0.57	0.40	0.095
FY 2019	1.71	0.64	0.44	0.125
FY 2020	1.73	0.64	0.52	0.195

Source: Company Websites, Frost & Sullivan

Note: The capacities have been rounded up. Total capacity of Indigo Paints in FY20 is 195,021 (water+powder)

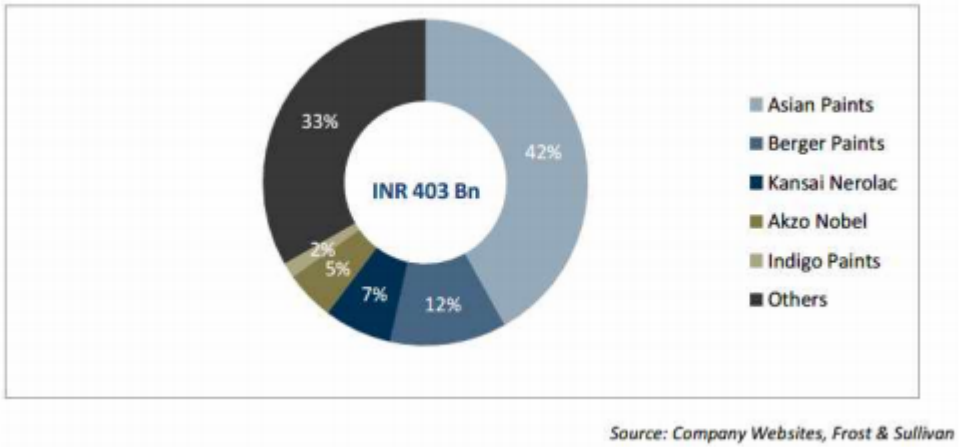
REVENUE & MARKET SHARE

Asian Paints (No. 1) Qtrly Revenue = Berger Paints (No. 2) Annual Revenue

Asian Paints Annual Revenue is:
3.5X Berger
4.7X Kansai
10X Akzo Nobel
32X Indigo

They're already market leaders and Mgmnt said it increased >140 Bps in 2022

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MARGINS

Even at higher levels of RM Inflation and through all competitive intensity Asian Paints' Margins have been well above the industry

Last 12 months EBITDA Margin:
AsianPaint 17%
Berger 15%
Kansai 10%
AkzoNobel 14%
Indigo 15%
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NOW... THE MOST IMP THINGS

DISTRIBUTION
- Total Reach for Asian Paints now at 1.45 Lk retail points
- Asian Paints Dealers alone as big as the entire industry put together
- They also have 46000 Tinting Machines (equal to entire industry together)

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5/n

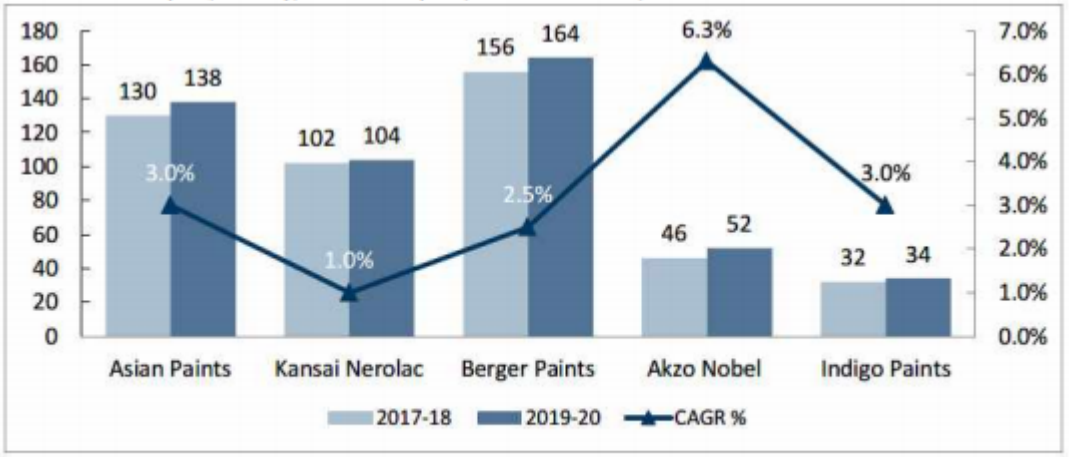
Set forth below is the company-wise growth in active distribution/ dealer network:

	2017-18	2019-20	CAGR
Asian Paints	53000	70000	14.9%
Kansai Nerolac	21000	27500	17.3%
Berger Paints	25000	30000	10.0%
Akzo Nobel	16500	15000	-4.7%
Indigo Paints	9210	11230	10.4%

Source: Company Websites, Frost & Sullivan

Note: Dealers considered here transact at least 2 times in 12 months

Set forth below is the company-wise growth in depots, as of March 31, 2020:



Source: Company Websites, Frost & Sullivan

TINTING MACHINE
- Dealers keeping a paint company's tinting machine is among the biggest barriers of entry
- Tinting machines cost 1-1.5 lk per machine and need space at a dealer's store
- 2 out of 3 Asian Paints dealers already have tinting machines

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6/n

	Asian Paints	Berger Paints	Kansai Nerolac	AkzoNobel	Indigo Paints
FY18	35	14	10	3.2	1.9
FY20	46	20	17	5.5	4.3
CAGR %	14.6	19.5	30.4	31.1	51.2
Tinting Machine to Dealer ratio (FY20)	**0.66 (66%)**	**0.67 (67%)**	**0.62 (62%)**	**0.37 (37%)**	**0.38 (38%)**

Source: Company Websites, Frost & Sullivan

Note: Tinting Machine to Dealer Ratio gives an approximate penetration of the tinting machines for each company

BRANDING

Asian Paints spends 900-1000 Cr on Advertising every year

For Ref: Indigo Paints' FY22 Revenue alone was 906 Cr

We all know the brand recall from Gattu, to Wah Sunil Babu, to Har Ghar Kuchh Kehta Hai and the more recent - Abhi Toh Aur Chalega ads!

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ASIAN PAINTS
Would you believe it? Among the large paint players, it's actually the youngest company

Year of Establishment
Shalimar 1902
Nerolac 1920
Berger 1923
Akzo 1939
AsianPaint 1945

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8/n



VALUATIONS
- Quality comes at a steep price
- Co is among the most expensive stocks on all parameters
- Co's Market Cap at 10X FY22 sales
- MCap at 4X FY24e Entire Paint Industry

FY23e PE
Asian Paints 70X
Indigo 61X
Berger 50X
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9/9