

## 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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|         | 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

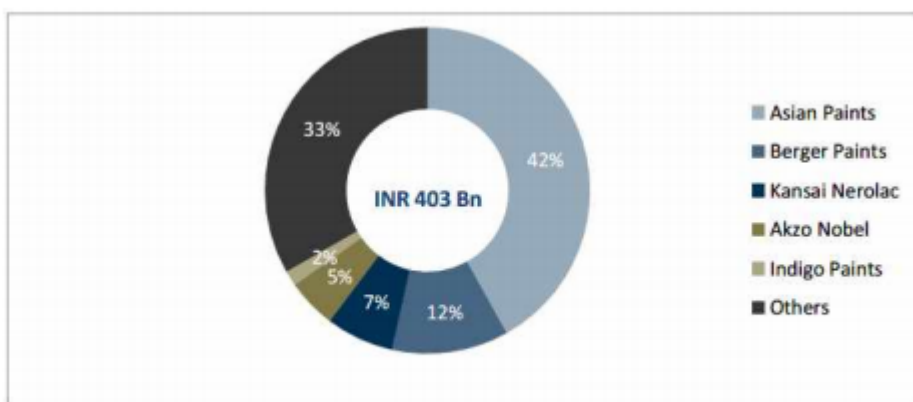
10X Akzo Nobel

32X Indigo

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

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Source: Company Websites, Frost & Sullivan

## 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)

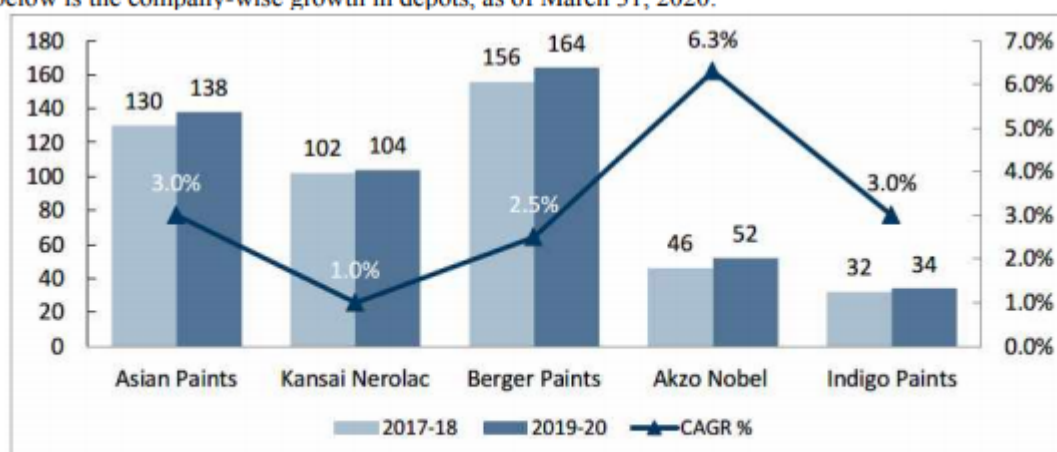
Set forth below is the company-wise growth in active distribution/ dealer network:

|                | 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

|  | 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<br>(66%) | 0.67<br>(67%) | 0.62<br>(62%)  | 0.37<br>(37%) | 0.38<br>(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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## RK LAXMAN FACTS



# RK Laxman Designed Gattu The Mascot of Asian Paints in 1954

### 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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