



## Sector Update

July 1, 2025

### Asian Paints (APNT IN)

Rating: REDUCE | CMP: Rs2,341 | TP: Rs2,140

#### Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	3,54,947	3,39,056	3,58,286	3,77,953
EBITDA (Rs. m)	75,850	60,062	64,878	68,760
Margin (%)	21.4	17.7	18.1	18.2
PAT (Rs. m)	54,602	40,303	42,845	45,617
EPS (Rs.)	56.9	42.0	44.7	47.6
Gr. (%)	31.4	(26.2)	6.3	6.5
DPS (Rs.)	26.4	32.4	25.5	27.0
Yield (%)	1.1	1.4	1.1	1.2
RoE (%)	31.5	21.1	21.0	20.4
RoCE (%)	36.6	24.8	24.7	23.8
EV/Sales (x)	6.2	6.5	6.1	5.8
EV/EBITDA (x)	29.2	36.9	33.9	31.7
PE (x)	41.1	55.7	52.4	49.2
P/BV (x)	12.0	11.6	10.5	9.6

### Kansai Nerolac Paints (KNPL IN)

Rating: ACCUMULATE | CMP: Rs252 | TP: Rs284

#### Key Financials - Standalone

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	73,933	74,970	79,768	85,351
EBITDA (Rs. m)	10,413	9,745	10,947	12,001
Margin (%)	14.1	13.0	13.7	14.1
PAT (Rs. m)	7,034	6,650	7,655	8,213
EPS (Rs.)	8.7	8.2	9.5	10.2
Gr. (%)	(6.7)	(5.5)	15.1	7.3
DPS (Rs.)	1.8	3.8	2.8	3.0
Yield (%)	0.7	1.5	1.1	1.2
RoE (%)	13.7	11.1	11.4	11.2
RoCE (%)	16.8	13.0	13.2	13.2
EV/Sales (x)	2.5	2.4	2.3	2.1
EV/EBITDA (x)	18.0	18.7	16.5	14.9
PE (x)	28.9	30.6	26.6	24.8
P/BV (x)	3.6	3.2	2.9	2.7

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## Improving demand marred by rising competitive intensity

We conducted channel checks of paint dealers across regions. Our interaction suggests that 1) 1Q has seen decent demand with QoQ improvement, however recovery remains slow 2) demand outlook remains positive led by lower inflation, interest rate cuts, tax reductions and normal monsoons.

Asian Paints is experiencing a year-on-year decline in the West and South regions, sales in the East remained flat while north India sales trends show mid-high single digit growth. For Kansai Nerolac, the South market is weak, whereas other regions are performing well.

As per channel check, competitive intensity remains high as 1) Birla Opus is aggressively promoting its products with superior incentives in trade 2) The quality of Birla Opus is on par with Asian Paints 3) Pricing across most categories for Birla Opus remains lower than that of Asian Paints, Berger, and Kansai and 4) Word-of-mouth feedback among contractors is positive, which is helping push Birla Opus products.

In 1Q26, we expect APNT to post mid-single digit volume growth, low single digit increases in sales and EBITDA with low single digit decline in PAT. For Kansai, we expect low to mid- single digit volume growth and flattish EBITDA and PAT as benefits of low RM and strong growth in industrial paints will be negated by hit on volumes in critical regions of North India (including J&K),

We believe that a high level of competitive intensity is likely to persist. With Birla Opus continuing its aggressive marketing strategy and acquisition of AKZO Nobel by JSW paints, we expect the competitive pressure to increase further, especially in the decorative segment

## Paints Channel check- demand remains good, competitive intensity remains high

### West – APNT under pressure across region

- We interacted dealers across Mumbai, Pune, Nagpur, Gujarat and interior Maharashtra.
- Asian Paints remains the market leader, but sales are down in high single digits YoY. Sequentially, demand has remained largely flat, but it has declined in bigger cities like Mumbai and Pune and Nagpur.
- Birla Opus is gaining traction by leveraging its brand value and offering products at a slight discount, while maintaining quality on par with Asian Paints.
- Word-of-mouth among contractors is positive for Birla Opus, which is helping drive demand in comparison to Asian Paints.
- Asian paint retailers are delaying payments to dealers due to subdued demand. In some cases, FY25 payments have not yet been received as of June.

- According to dealers, Asian Paints is lagging in advertising, while Birla Opus is running stronger campaigns and offering better incentives.
- Local paint companies are feeling the impact of Birla Opus. Marketing initiatives like "1 litre free with every 10 litres purchased" have helped Birla Opus gain market share.

### East – APNT incentive schemes save the day

- Paints demand has been positive in East India. Some dealers are expecting the sales to grow in double-digit growth in Q1 FY26.
- The entry of Birla Opus has brought significant changes to the market. While Asian Paints' sales remain flat year-on-year, it is now witnessing improved demand as monsoon is expected to remain good.
- In Q1 FY26, Asian Paints launched a new scheme offering improved incentive terms for dealers. If this scheme continues, Asian Paints could potentially regain the market share lost to Birla Opus.
- There are no major differences in paint quality among Asian Paints, Birla Opus, and Berger. Birla Opus is effectively leveraging Birla brand name to build market presence and image.

### North – demand trend positive, Asian paints hold fort

- North India has seen positive demand, however Operation Sindoor related war has led to some impact on demand in Punjab, Rajasthan and J&K for a period of ~10 days.
- No major disruptions have been observed for Asian Paints following the launch of Birla Opus in the market. This looks surprising as North was one of the markets where Birla Opus entered initially as trade indicates low single digit market share.
- Asian paint is expected to see mid-high single digit growth YoY led by demand from new homes
- Dealers expect an increase in demand in FY26, driven by improved schemes and strong brand value particularly in the North, where Asian Paints remains the dominant player.
- The quality of Birla Opus remains on par with Asian Paints. Therefore, if Birla Opus continues its aggressive strategy, it could potentially capture some market share.
- There has been a 1% to 2% price rise in the niche product categories, but overall, no significant price changes were observed in Q1 FY26.

### South – tepid demand, Birla opus makes good inroads

- Birla Opus has captured significant market share in some pockets in the south (double digit share in Bangalore). Demand for Asian paint remains flat to slight negative.
- Birla Opus gained market share primarily through its primer product, which falls under the easy-to-use category and is sold at a 10% discount to APNT.
- APNT has an edge due to exclusive brand outlets, increase in number of exclusive Birla opus outlets can boost public awareness and sales. However,

Birla opus is becoming increasingly aggressive, and competitive pressure is expected to remain elevated in the coming quarters.

- Birla opus does not have readily available bases for all color types, which makes it a second choice for many paint buyers. In contrast, Asian Paints remains the preferred choice, as it offers a wide availability of bases in all quantities across all stores.

**Exhibit 1: Snapshot of comparison between APNT and Birla Opus**

Parameter	Asian Paints	Birla Opus
Market Share (FY25)	~50%	~6%
Brand Strength	Very Strong	Emerging
Distribution Reach	140,000+ dealers	Targeting 50,000 by FY26
Product Portfolio	Comprehensive (decorative + services)	Full decorative portfolio
Capex Plan (FY23-FY27)	7,500-9,000 Cr	10,000 Cr
Growth Strategy	Defensive (service-led, premiumization)	Disruptive (dealer margins, speed, tech)
Challenges	High base, premium pricing	Low recall, no legacy
Dealer comments	Still market leader, lower incentive	Gaining market share, lower price, better incentive

Source: Company, PL

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Reduce	2,142	2,303
2	Avenue Supermarts	Hold	3,975	4,059
3	Britannia Industries	BUY	5,941	5,613
4	Colgate Palmolive	Hold	2,654	2,487
5	Dabur India	Hold	501	482
6	Emami	Accumulate	697	636
7	Hindustan Unilever	Accumulate	2,601	2,325
8	ITC	BUY	538	426
9	Jubilant FoodWorks	Hold	689	693
10	Kansai Nerolac Paints	Accumulate	284	255
11	Marico	Accumulate	718	699
12	Metro Brands	Hold	1,195	1,211
13	Mold-tec Packaging	Accumulate	636	565
14	Nestle India	Accumulate	2,559	2,433
15	Pidilite Industries	BUY	3,428	2,980
16	Restaurant Brands Asia	Accumulate	89	82
17	Titan Company	BUY	3,752	3,369
18	Westlife Foodworld	Hold	738	700

**PL's Recommendation Nomenclature**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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