



September 15, 2025

Asian Paints (APNT IN)

Rating: REDUCE | CMP: Rs2,541 | TP: Rs2,248

Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	3,54,947	3,39,056	3,54,743	3,71,315
EBITDA (Rs. m)	75,850	60,062	63,888	70,184
Margin (%)	21.4	17.7	18.0	18.9
PAT (Rs. m)	54,602	40,303	41,943	46,304
EPS (Rs.)	56.9	42.0	43.7	48.3
Gr. (%)	31.4	(26.2)	4.1	10.4
DPS (Rs.)	26.4	32.4	25.5	27.0
Yield (%)	1.0	1.3	1.0	1.1
RoE (%)	31.5	21.1	20.6	20.8
RoCE (%)	36.6	24.8	24.3	24.4
EV/Sales (x)	6.8	7.1	6.7	6.4
EV/EBITDA (x)	31.7	40.0	37.4	33.8
PE (x)	44.6	60.5	58.1	52.6
P/BV (x)	13.0	12.6	11.5	10.5

Kansai Nerolac Paints (KNPL IN)

Rating: ACCUMULATE | CMP: Rs248 | TP: Rs277

Key Financials - Standalone

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	73,933	74,967	78,368	83,515
EBITDA (Rs. m)	10,229	9,741	10,788	11,691
Margin (%)	13.8	13.0	13.8	14.0
PAT (Rs. m)	6,850	6,647	7,545	8,004
EPS (Rs.)	8.5	8.2	9.3	9.9
Gr. (%)	(6.1)	(3.0)	13.5	6.1
DPS (Rs.)	1.8	3.8	2.8	3.0
Yield (%)	0.7	1.5	1.1	1.2
RoE (%)	13.4	11.1	11.4	11.2
RoCE (%)	16.4	13.0	13.1	13.1
EV/Sales (x)	2.5	2.4	2.3	2.1
EV/EBITDA (x)	18.0	18.4	16.5	15.1
PE (x)	29.2	30.1	26.5	25.0
P/BV (x)	3.5	3.1	2.9	2.7

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Paints: Adverse weather spoils festive cheer!

Our channel checks across regions suggests that decorative paints demand in Q2FY26 is affected by adverse weather conditions, more so in North Indian states. Dealers in the North region reported high single to low double-digit volume declines while west and south reported low double-digit growth while east is high single digits. We expect 2Q26 trend to imitate Q3FY23 when extended monsoons impacted festive demand, resulting in tepid volume growth for paint companies (APNT-0%, KNPL-(1.8%), Berger-6.6%).

Competitive intensity continues to remain high, driven by 1) Birla Opus aggressive promotions and trade incentives 2) lower consumer prices than that of Asian Paints, Berger, and Kansai and 3) positive word-of-mouth feedback among contractors which is enabling strong traction for Birla Opus products.

We expect Kansai to be most affected given higher disruption in north and slow auto sales due to GST rate cuts (benefit likely from 3Q). Asian paint and Berger seem better placed as impact in North was offset by good demand in West & South while East is witnessing normal demand ahead of festive season. Lower demand and high promotional intensity are likely to weigh on 2Q profitability. We watch out for Q3FY26 as weather normalizes and pent-up demand particularly for exteriors and waterproofing begins to materialize.

Weather condition impacts north: west/south witness good demand - As per our channel check, industry is expected to see high single-early double digit volume declines in the worst-hit North states, partly compensated for West/South and East pockets with normalizing trends. We expect recovery in the North to be in Q3 as sites dry and repair jobs kick in.

- **Decorative demand** is likely to see drag in performance in Q2 amidst adverse weather conditions. Ex-north we expect volume growth to come at early double digit while the North India (execution/logistics disruptions & consumer deferrals) is likely to witness decline in a few states which can pull the all-India growth to mid-high single digits.
- **Industrial paints** are witnessing flat demand in the auto/OEM segment as auto volumes remain muted. Additionally, protective /waterproofing /service-related activities have experienced delays due to heavy rainfall impacting key regions (Jammu & Kashmir, Himachal Pradesh, Punjab and parts of Rajasthan and Gujarat).
- Given the sharp cut in GST rates on Auto OEM, we expect strong re-bounce in volume growth from 3Q26 onwards, which would benefit Kansai as Auto paints account for ~30% of total paint sales.
- **Pricing/mix:** Competitive intensity remains elevated; selective discounting in economy emulsions persists; broad-based hikes are unlikely in near-term with mix skew to economy/waterproofing.

- **Margins:** soft crude & efficiency gains will likely offset any price cuts/promotions, we expect sector gross margins to remain resilient YoY, but incremental margin expansion is likely to be capped by competition.
- Early Navratri (Sep 22–Oct 2) and Diwali (Oct 20) have well captured pre-festival repaint prep in non-affected regions. However, Flood-hit districts are likely seeing shift or defer painting work into Oct–Nov (Q3).

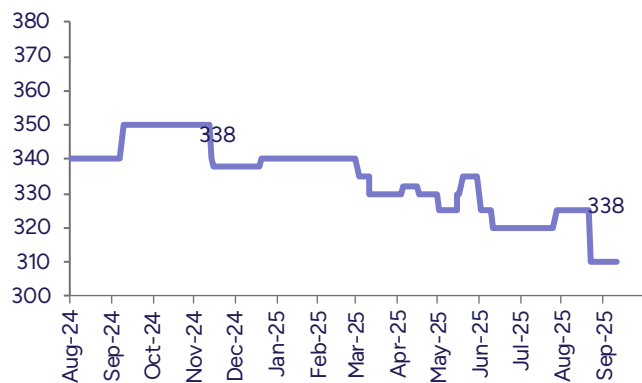
Region-wise: North impacted, south/west remains resilient

- **North** (Punjab/Haryana/Himachal/Delhi-NCR/West UP): Core drag on the quarter; dealer destocking + site access being the core issues; Q3 rebound likely as consumers deferred the work to Oct–Dec25.
- **West** (Gujarat/Maharashtra/Rajasthan): Sees Patchy rains, some flood pockets in North Gujarat, however demand remains broadly resilient
- **South/East:** not much disruption with demand for Navratri / Diwali repainting gaining strength

Raw materials – Soft RM to boost GM in Q2 despite ADD on TiO2

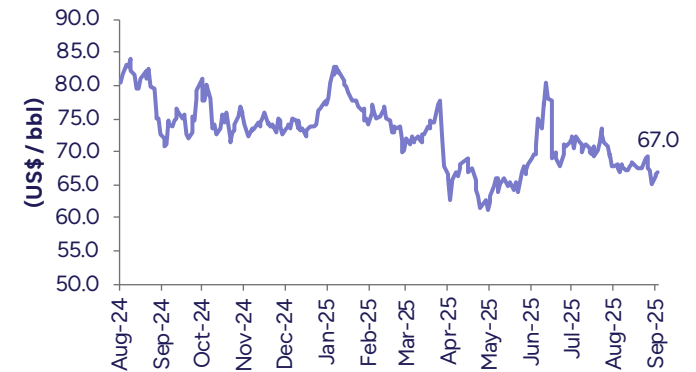
Gross margins are likely to remain stable, aided by soft raw material costs, though elevated promotional spending continues to weigh on profitability. Looking ahead, we expect a recovery in Q3FY26 as weather normalizes and pent-up demand particularly for exteriors and waterproofing begins to materialize.

Exhibit 1: Tio2 continues to soften in Q2



Source: Company, PL

Exhibit 2: Brent crude remain range bound in Q2



Source: Company, PL

- **Tio2:** Indexed tio2 remained soft as Chinese manufacturers cut prices in view of imposition of ADD with indexed prices down by 2.4%/6.8% QoQ/YoY. However, ADD imposition will limit input cost led gains.
- **Brent Crude:** remains largely stable with average of \$69.6/barrel in Q2 (until now) vs \$68/barrel in Q1
- We expect paint companies to witness GM expansion on YoY basis, margins are likely to remain stable/slightly expand on QoQ basis

Exhibit 3: Prolonged rains to dampen demand despite early festive season in Q2

Paints (Vol. Gr.%)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Asian Paints	10.0	6.0	12.0	10.0	7.0	-0.5	1.6	1.8	3.9
Kansai Nerolac	6.7	1.7	8.9	10.5	5.1	4.0	4.0	5.5	3.2
Berger Paints	12.7	10.9	9.1	13.9	11.8	7.8	7.4	7.4	5.6

Source: Company, PL

Exhibit 4: GST - Paints see no change, but improved purchasing power a positive for long term

Item / Category	Current GST rate	new rate	Impact	Stocks
Paints	18%	18%	Neutral	ANPT, Kansai, Berger
Adhesives	18%	18%	Neutral	Pidilite

Source: Company, PL

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Reduce	2,248	2,402
2	Avenue Supermarts	Hold	3,994	4,281
3	Britannia Industries	BUY	6,223	5,403
4	Colgate Palmolive	Hold	2,453	2,376
5	Dabur India	Hold	524	529
6	Emami	Accumulate	683	601
7	Hindustan Unilever	Accumulate	2,686	2,521
8	ITC	BUY	530	416
9	Jubilant FoodWorks	Hold	688	644
10	Kansai Nerolac Paints	Accumulate	277	244
11	Marico	Accumulate	743	723
12	Metro Brands	Hold	1,135	1,095
13	Mold-tek Packaging	Accumulate	805	761
14	Nestle India	Hold	2,392	2,322
15	Pidilite Industries	BUY	3,427	3,051
16	Restaurant Brands Asia	Accumulate	87	81
17	Titan Company	BUY	3,901	3,416
18	Westlife Foodworld	Hold	745	772

PL's Recommendation Nomenclature

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

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