

August 5, 2025

Q1FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	277		284	
Sales (Rs. m)	78,368	83,515	79,768	85,351
% Chng.	(1.8)	(2.2)		
EBITDA (Rs. m)	10,788	11,691	10,947	12,001
% Chng.	(1.4)	(2.6)		
EPS (Rs.)	9.3	9.9	9.5	10.2
% Chng.	(1.4)	(2.5)		

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	2.3	2.2	2.1
EV/EBITDA (x)	17.8	18.1	16.2	14.8
PE (x)	28.8	29.7	26.1	24.6
P/BV (x)	3.5	3.1	2.9	2.6

Key Data

KANE.BO | KNPL IN

52-W High / Low	Rs.319 / Rs.217
Sensex / Nifty	81,019 / 24,723
Market Cap	Rs.197bn / \$ 2,249m
Shares Outstanding	809m
3M Avg. Daily Value	Rs.50.97m

Shareholding Pattern (%)

Promoter's	74.98
Foreign	5.41
Domestic Institution	10.21
Public & Others	9.40
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(2.5)	(1.0)	(19.0)
Relative	0.4	(4.0)	(19.0)

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Early Diwali and Industrial push to benefit

Quick Pointers:

- 2Q to see better deco demand, auto to see single digit, non-auto industrial segment is likely to see high single digit value growth in FY26
- EBITDA margin guidance maintained at 13-14% for FY26

Kansai provides a favorable risk reward in near term given 1) strong growth of industrial paints which is 45% of its sales (highest industrial paints share in Industry) 2) likely pick up in 2Q decorative volumes due to early Diwali and sustained gains from paint+ innovations and 3) guidance of steady 13-14% EBITDA margin led by better product mix and improving demand scenario.

KNPL plans to maintain its decorative market share led by 1) Innovations and new launches under Paint + initiatives (12% of sales) 2) distribution improvement in Nextgen Nerolac Shoppe (400 added in 1Q26) 3) rising scale and focus on projects business 4) loyalty and influencer program. Outlook in non-auto industrials remains positive led by strong order pipeline across Infra, Railways and Powder coatings etc.

We expect 6/8% volume growth and 100bps margin expansion over FY25-27. We estimate a CAGR of 5.6% in sales and 9.8% in PAT over FY25-27. We value the stock at 28xMar27 EPS (No change) and assign a target price of Rs277 (Rs284 earlier). Retain Accumulate.

Revenues grew 1.8%; Volume growth ~3.2%: Revenues grew by 1.8% YoY to Rs20.9bn (PLe: Rs21.3bn). Gross margins contracted by 89bps YoY to 36.1% (PLe: 36%). EBITDA declined by 6.7% YoY to Rs3.1bn (PLe:Rs3.36bn); Margins contracted by 136bps YoY to 14.9% (PLe:15.8%). Adjusted PAT declined by 4.3% YoY to Rs2.30bn (PLe:Rs2.39bn). 1Q Decorative volumes were flat, while industrial volumes grew in high single digits.

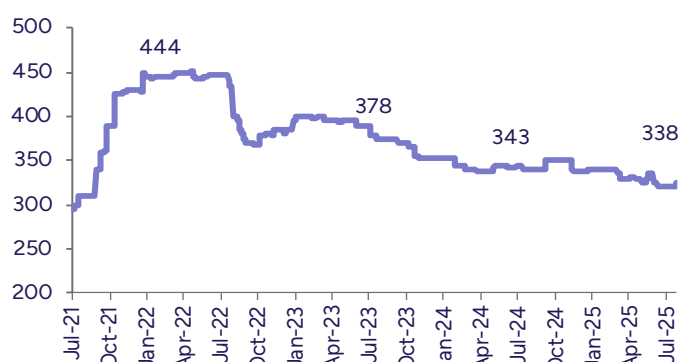
Concall Highlights: 1) Demand in decorative business was affected in May (North India) due to operation Sindoor while project business was affected due to early monsoon 2) Demand in auto segment was muted, Kansai did better than market led by various initiatives in distribution and innovations 3) PV & 2W segment demand is expected to be subdued, while normal monsoons will enable positive Tractor demand outlook 4) Performance Coatings continued to register strong growth on the back of strong infra push of Govt. 5) Raw material prices are currently benign, ADD on Tio2 will increase input costs by 1-1.3% of overall RM. 6) KNPL expects QoQ improvement in demand led by favorable monsoon and early Diwali 7) July demand remains muted like June25, however august and September are anticipated to be better 8) Competition seems to be picking out as dealers in strong areas are coming back to KNPL. 9) Auto to show mid-single digit value growth while non-auto industrial segment to see higher single digit value growth in FY26. 10) New products now contributing 10% towards overall revenue 11) North and east doing well, west improving, while south remains subdued 12) Nepal is doing well, however Bangladesh and Sri-Lanka remains concerned area.

Exhibit 1: Sales grew 1.8% YoY; GM contracts by 89bps YoY while EBITDAM slipped by 136bps YoY.

Y/e March	Q1FY26	Q1FY25	YoY gr. (%)	Q4FY25	FY26E	FY25	YoY gr. (%)
Total Revenue	20,874	20,504	1.8	17,404	78,368	74,967	4.5
Gross Profit	7,538	7,586	(0.6)	6,025	28,107	26,441	6.3
% of NS	36.1	37.0	(0.9)	34.6	35.9	35.3	0.6
Other Expenses	4,418	4,242	4.2	4,247	17,319	16,700	3.7
% of NS	21.2	20.7	0.5	24.4	22.1	22.3	(0.2)
EBITDA	3,120	3,344	(6.7)	1,778	10,788	9,741	10.7
Margins %	14.9	16.3	(1.4)	10.2	13.8	13.0	0.8
Depreciation	512	460	11.4	497	2,088	1,937	7.8
Interest	36	34	6.5	37	145	151	(3.7)
PBT from operations	2,572	2,851	(9.8)	1,244	8,555	7,654	11.8
Other Income	529	384	38.0	394	1,710	1,421	20.4
PBT	3,101	3,234	(4.1)	1,638	10,265	9,074	13.1
Tax	792	823	(3.7)	403	2,720	2,427	12.1
Tax rate %	25.6	25.5	0.1	24.6	26.5	26.8	(0.3)
Adjusted PAT	2,309	2,411	(4.3)	1,235	7,545	6,647	13.5

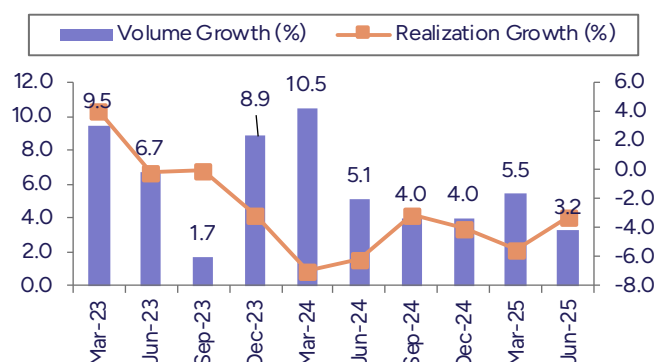
Source: Company, PL

Exhibit 2: TiO2 prices down 2.8% QoQ



Source: Company, PL

Exhibit 3: Volumes grow by ~3.2% in 1QFY26



Source: Company, PL

Exhibit 4: Decorative- Launched 3 new products in Q1, while new business continued its strong performance



Source: Company, PL

Exhibit 5: Branding, Marketing and Media Campaigns



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	73,933	74,967	78,368	83,515
YoY gr. (%)	4.4	1.4	4.5	6.6
Cost of Goods Sold	47,697	48,526	50,261	53,367
Gross Profit	26,236	26,441	28,107	30,148
Margin (%)	35.5	35.3	35.9	36.1
Employee Cost	4,018	4,472	4,663	4,969
Other Expenses	6,958	7,332	6,975	7,475
EBITDA	10,229	9,741	10,788	11,691
YoY gr. (%)	28.8	(4.8)	10.7	8.4
Margin (%)	13.8	13.0	13.8	14.0
Depreciation and Amortization	1,800	1,937	2,088	2,277
EBIT	8,429	7,805	8,700	9,414
Margin (%)	11.4	10.4	11.1	11.3
Net Interest	125	151	145	193
Other Income	931	1,421	1,710	1,669
Profit Before Tax	9,236	9,074	10,265	10,890
Margin (%)	12.5	12.1	13.1	13.0
Total Tax	2,386	2,428	2,720	2,886
Effective tax rate (%)	25.8	26.8	26.5	26.5
Profit after tax	6,850	6,647	7,545	8,004
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	6,850	6,647	7,545	8,004
YoY gr. (%)	40.8	(3.0)	13.5	6.1
Margin (%)	9.3	8.9	9.6	9.6
Extra Ord. Income / (Exp)	4,979	3,566	-	-
Reported PAT	11,829	10,213	7,545	8,004
YoY gr. (%)	143.2	(13.7)	(26.1)	6.1
Margin (%)	16.0	13.6	9.6	9.6
Other Comprehensive Income	(38)	(35)	-	-
Total Comprehensive Income	11,791	10,178	7,545	8,004
Equity Shares O/s (m)	808	808	808	808
EPS (Rs)	8.5	8.2	9.3	9.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	32,882	35,077	38,797	41,507
Tangibles	32,297	34,455	38,165	40,865
Intangibles	586	622	632	642
Acc: Dep / Amortization	14,108	15,606	17,260	19,055
Tangibles	13,629	15,097	16,694	18,432
Intangibles	479	509	566	623
Net fixed assets	18,774	19,471	21,537	22,452
Tangibles	18,667	19,358	21,471	22,433
Intangibles	107	113	66	19
Capital Work In Progress	1,481	2,210	1,200	1,200
Goodwill	2	2	-	-
Non-Current Investments	1,563	1,317	1,373	1,435
Net Deferred tax assets	(1,171)	(1,553)	(1,630)	(1,712)
Other Non-Current Assets	4,647	4,955	5,409	5,868
Current Assets				
Investments	13,229	18,460	19,460	19,960
Inventories	16,160	16,097	18,134	19,114
Trade receivables	12,153	12,747	13,035	13,661
Cash & Bank Balance	2,296	2,602	2,737	3,702
Other Current Assets	1,317	1,603	1,920	2,046
Total Assets	72,248	79,692	84,962	89,605
Equity				
Equity Share Capital	808	808	808	808
Other Equity	55,723	62,854	68,051	73,630
Total Network	56,531	63,662	68,859	74,438
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	206	210	230	253
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	9,804	10,237	10,095	8,043
Other current liabilities	3,341	2,637	2,159	2,460
Total Equity & Liabilities	72,248	79,692	84,962	89,605

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	9,236	9,074	10,265	10,890
Add. Depreciation	1,800	1,937	2,088	2,277
Add. Interest	125	151	145	193
Less Financial Other Income	931	1,421	1,710	1,669
Add. Other	4,998	4,701	181	294
Op. profit before WC changes	16,158	15,863	12,679	13,655
Net Changes-WC	(8,172)	(5,922)	(4,189)	(3,994)
Direct tax	(2,386)	(3,654)	(2,720)	(2,886)
Net cash from Op. activities	5,600	6,287	5,770	6,775
Capital expenditures	(2,977)	(3,540)	(3,142)	(3,191)
Interest / Dividend Income	-	-	-	-
Others	185	757	-	-
Net Cash from Inv. activities	(2,792)	(2,783)	(3,142)	(3,191)
Issue of share cap. / premium	121	(15)	(125)	-
Debt changes	-	-	-	-
Dividend paid	(1,455)	(3,031)	(2,223)	(2,425)
Interest paid	(125)	(151)	(145)	(193)
Others	-	-	-	-
Net cash from Fin. activities	(1,458)	(3,198)	(2,493)	(2,619)
Net change in cash	1,349	306	134	965
Free Cash Flow	2,622	2,747	2,627	3,584

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Per Share(Rs)				
EPS	8.5	8.2	9.3	9.9
CEPS	10.7	10.6	11.9	12.7
BVPS	69.9	78.8	85.2	92.1
FCF	3.2	3.4	3.3	4.4
DPS	1.8	3.8	2.8	3.0
Return Ratio(%)				
RoCE	16.4	13.0	13.1	13.1
ROIC	17.5	14.6	14.5	14.4
RoE	13.4	11.1	11.4	11.2
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.3)	(0.3)	(0.3)
Net Working Capital (Days)	91	91	98	108
Valuation(x)				
PER	28.8	29.7	26.1	24.6
P/B	3.5	3.1	2.9	2.6
P/CEPS	10.7	10.6	11.9	12.7
EV/EBITDA	17.8	18.1	16.2	14.8
EV/Sales	2.5	2.3	2.2	2.1
Dividend Yield (%)	0.7	1.5	1.1	1.2

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Net Revenue	18,638	18,422	17,404	20,874
YoY gr. (%)	1.0	1.5	4.7	1.8
Raw Material Expenses	12,310	11,919	11,379	13,336
Gross Profit	6,328	6,502	6,025	7,538
Margin (%)	34.0	35.3	34.6	36.1
EBITDA	2,150	2,469	1,778	3,120
YoY gr. (%)	(20.3)	2.9	(0.7)	(6.7)
Margin (%)	11.5	13.4	10.2	14.9
Depreciation / Depletion	465	515	497	512
EBIT	1,685	1,954	1,281	2,608
Margin (%)	9.0	10.6	7.4	12.5
Net Interest	33	48	37	36
Other Income	269	374	394	529
Profit before Tax	1,921	2,281	1,638	3,101
Margin (%)	10.3	12.4	9.4	14.9
Total Tax	619	582	403	792
Effective tax rate (%)	32.2	25.5	24.6	25.6
Profit after Tax	1,302	1,699	1,235	2,309
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,302	1,699	1,235	2,309
YoY gr. (%)	(27.6)	7.8	2.4	(4.3)
Margin (%)	7.0	9.2	7.1	11.1
Extra Ord. Income / (Exp)	-	3,566	-	-
Reported PAT	1,302	5,265	1,235	2,309
YoY gr. (%)	(27.6)	234.0	21.6	(4.3)
Margin (%)	7.0	28.6	7.1	11.1
Other Comprehensive Income	(5)	-	(19)	(5)
Total Comprehensive Income	1,297	5,265	1,216	2,303
Avg. Shares O/s (m)	808	808	808	808
EPS (Rs)	1.6	2.1	1.5	2.9

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jul-25	Accumulate	284	251
2	07-May-25	Accumulate	284	255
3	21-Apr-25	Accumulate	288	258
4	09-Apr-25	Hold	278	244
5	07-Feb-25	Hold	278	249
6	08-Jan-25	Reduce	274	257
7	08-Nov-24	Reduce	269	271
8	07-Oct-24	Reduce	286	292

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	5,941	5,839
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	689	688
10	Kansai Nerolac Paints	Accumulate	284	251
11	Marico	Accumulate	743	723
12	Metro Brands	Hold	1,195	1,167
13	Mold-tekk Packaging	Accumulate	805	761
14	Nestle India	Hold	2,392	2,322
15	Pidilite Industries	BUY	3,428	3,060
16	Restaurant Brands Asia	Accumulate	87	81
17	Titan Company	BUY	3,830	3,451
18	Westlife Foodworld	Hold	745	772

PL's Recommendation Nomenclature (Absolute Performance)

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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