

04 November 2025

India | Equity Research | Results Update

Kansai Nerolac Paints

Consumer Staples & Discretionary

Rear-view mirror driving not advised, we reckon, there's a turn for the better

As expected, the Decorative segment continued to report poor results due to shorter pre-Diwali sales with practically no gap between 'end of monsoon' and 'beginning of Diwali'. However, there are green shoots of revival in Industrial coatings, especially automotive coatings. The GST cut in automobiles is likely to drive growth and it was visible in auto sales data in Oct'25. Strong order-flows are also helping to drive growth in performance coatings. We also note KNPL has performed well in some sub-segments of decoratives such as construction chemicals, waterproofing, wood finish and projects and model recovery in H2FY26 and beyond as the competitive intensity is likely to soften along with favourable base. The recovery in revenues will potentially expand the margins with stable commodity prices and operating leverage. The EBITDA margins have been compressed over past 8-10 quarters due to operating deleverage.

Revival in revenue growth could potentially drive the valuation multiples upwards. The stock has traded at average one-year-forward P/E of 40x over past decade whereas it currently trades at P/E of 28x on FY27E EPS. ADD.

Q2FY26 result review

KNPL reported revenue and EBITDA growth of 0.1% and 1.6%, respectively YoY. However, adjusted PAT was up 9.9% due to higher other income and lower effective tax rate YoY. Gross margin was up 120bps due to lower commodity prices as well as anniversary effect in carryover price cuts. EBITDA margin was up 20bps due to higher staff cost and other expenditure as % of net sales. It was largely due to negative operating leverage led by 12 straight quarters of low-single-digit revenue growth.

Segment-wise performance

Decorative segment reported soft quarter due to incessant and prolonged rainfall. While some sub-segments such as construction chemicals, waterproofing, wood finish and projects have done well, retail segment was weak. Shorter Diwali (Limited number of days from end of monsoon and beginning of Diwali) led to impact on off-take. Automotive segment has performed relatively better and performance coatings also did well with healthy order inflows.

Key operational highlights

Paint+ products reported 240bps growth in H1FY26 YoY. KNPL added 2,500 dealers in H1FY26 and there was healthy growth in NXTGEN & AID as it contributes 5% of decorative business revenues. It has introduced Beauty Gold washable + paint in premium decorative segment and also introduced multiple products in automotive segment.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	78,230	80,744	88,727	97,503
EBITDA	9,423	9,963	11,062	12,279
EBITDA Margin (%)	12.0	12.3	12.5	12.6
Net Profit	6,683	6,708	7,532	8,439
EPS (INR)	8.3	8.3	9.3	10.4
EPS % Chg YoY	(0.5)	0.4	12.3	12.0
P/E (x)	30.2	30.1	26.8	23.9
EV/EBITDA (x)	19.1	17.7	15.8	13.9
RoCE (%)	8.8	8.4	8.8	9.2
RoE (%)	11.1	10.1	10.7	11.1

Aniruddha Joshi

aniruddha.joshi@icicisecurities.com
+91 22 6807 7249

Manoj Menon

manoj.menon@icicisecurities.com

Akshay Krishnan

akshay.krishnan@icicisecurities.com

Aniket Kamble

aniket.kamble@icicisecurities.com

Market Data

Market Cap (INR)	202bn
Market Cap (USD)	2,276mn
Bloomberg Code	KNPL IN
Reuters Code	KANE.BO
52-week Range (INR)	288 /217
Free Float (%)	25.0
ADTV-3M (mn) (USD)	1.6

Price Performance (%)	3m	6m	12m
Absolute	(0.1)	(1.4)	(12.5)
Relative to Sensex	(4.3)	(5.7)	(17.8)

ESG Score	2024	2025	Change
ESG score	71.4	71.6	0.2
Environment	56.9	55.7	(1.2)
Social	74.0	74.8	0.8
Governance	82.8	83.7	0.9

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	(3.9)	(3.9)
EBITDA	(3.9)	(3.9)
EPS	(4.6)	(4.4)

Previous Reports

05-08-2025: [Q1FY26 results review](#)

07-05-2025: [Q4FY25 results review](#)

Beneficiary of cut in GST rates on auto sector

With cut in GST rates from 28% to 18% on automobiles, there is likely to be revival in demand for sector and it was evident in Oct'25 auto sales numbers. We remain positive on Kansai's automotive segment performing well in coming quarters. We also model gradual recovery in Decorative paints in H2FY26 due to easing of competitive pressures as well as favourable base.

Valuation

We believe KNPL is likely to be relatively protected from steep competitive pressures in decorative paints, as it generates ~45% of its revenue from industrial coatings. We maintain **ADD** with a DCF-based TP of INR 280 (implied P/E of 32x FY27E EPS and 28x FY28E EPS). Historically, the stock has traded at an average one-year-forward P/E of 40x.

Key risks

Higher raw material prices, failure of new product launches and steep increase in competitive pressures are key risks to our estimates.

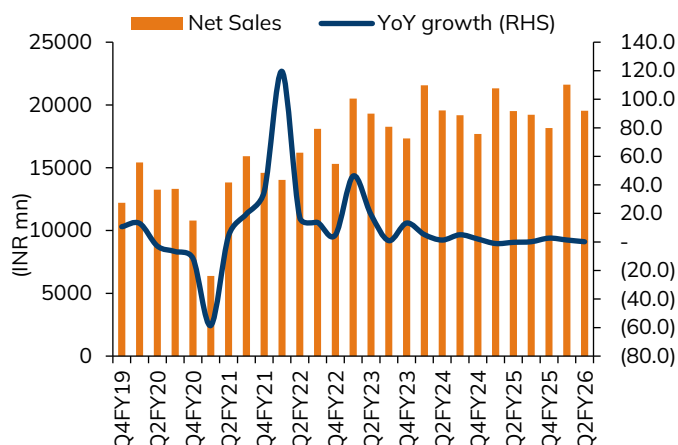
Exhibit 1: Q2FY26 consolidated financial performance

INR mn	Q2FY26	Q2FY25	% Chg. YoY	Q1FY26	% chg. QoQ
Net revenues	19,542	19,514	0.1	21,620	(9.6)
Raw materials	12,661	12,884	(1.7)	13,821	(8.4)
% of sales	65%	66%	-124 bps	64%	86 bps
Employee costs	1,374	1,246	10.3	1,338	2.7
% of sales	7.0%	6.4%	65 bps	6.2%	84 bps
Other expenditure	3,355	3,265	2.8	3,430	(2.2)
% of sales	17.2%	16.7%	44 bps	15.9%	130 bps
Total expenditure	17,389	17,395	(0.0)	18,589	(6.5)
EBITDA	2,153	2,119	1.6	3,032	(29.0)
EBITDA margin (%)	11.0%	10.9%	16 bps	14.0%	-301 bps
Other income	284	267	6.5	526	(46.0)
PBDIT	2,437	2,386	2.1	3,558	(31.5)
Depreciation	543	486	11.8	529	2.6
PBIT	1,894	1,901	(0.4)	3,028	(37.5)
Interest	77	73	5.9	74	4.8
PBT	1,817	1,828	(0.6)	2,955	(38.5)
Tax	484	630	(23.3)	799	(39.5)
% of PBT	27%	34%	-786 bps	27%	-41 bps
PAT	1,333	1,198	11.3	2,156	(38.2)
Minority Interest	(16)	(30)	-	(53)	-
Extraordinary items	(51)	3	(1,585.3)	0	(50,600.0)
Reported PAT	1,299	1,231	5.5	2,209	(41.2)
Adjusted PAT	1,349	1,228	9.9	2,209	(38.9)

Source: Company data, I-Sec research

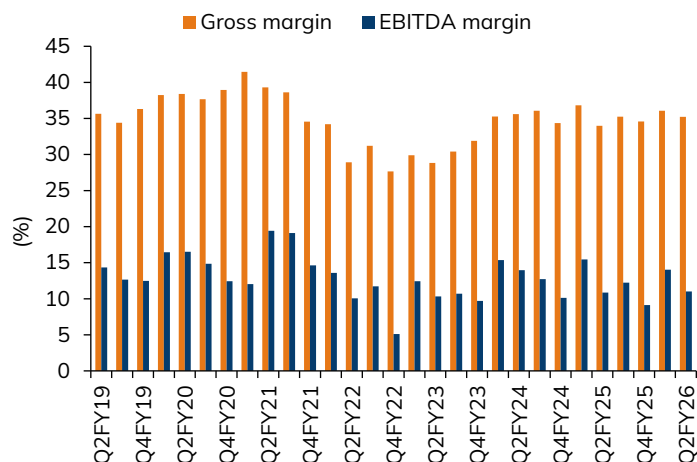
Quarterly operational highlights

Exhibit 2: Revenue and growth rates



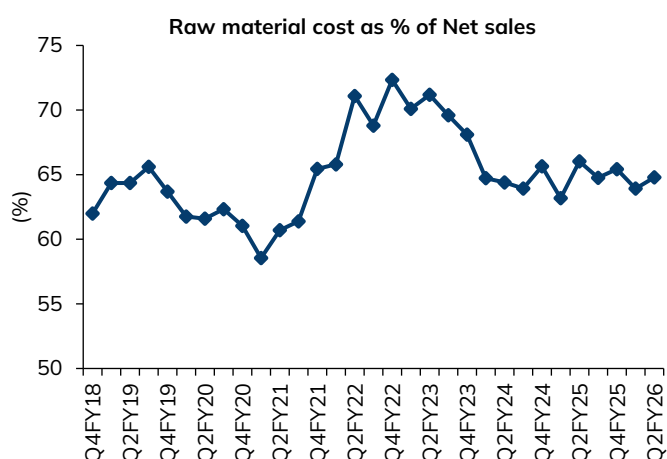
Source: Company data, I-Sec research

Exhibit 3: Gross and EBITDA margins



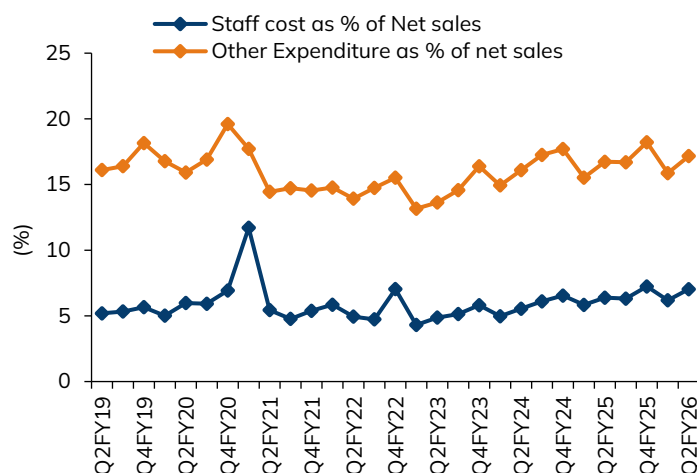
Source: Company data, I-Sec research

Exhibit 4: Raw material cost as % of sales



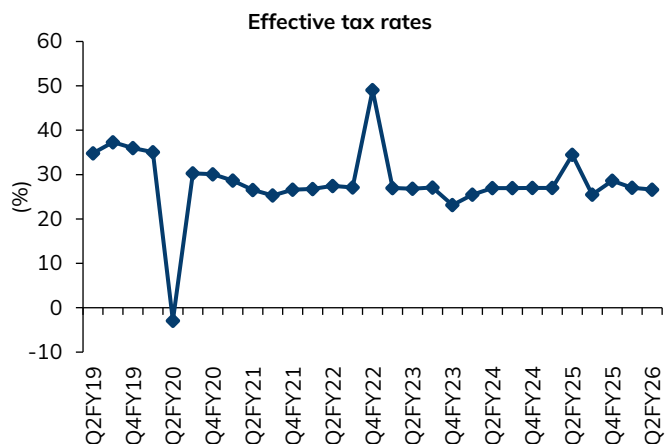
Source: Company data, I-Sec research

Exhibit 5: Staff cost and other expenditure as a % of sales



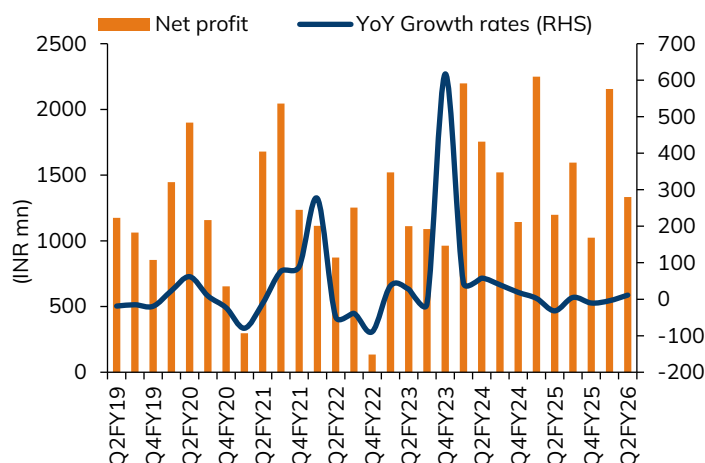
Source: Company data, I-Sec research

Exhibit 6: Effective tax rate



Source: Company data, I-Sec research

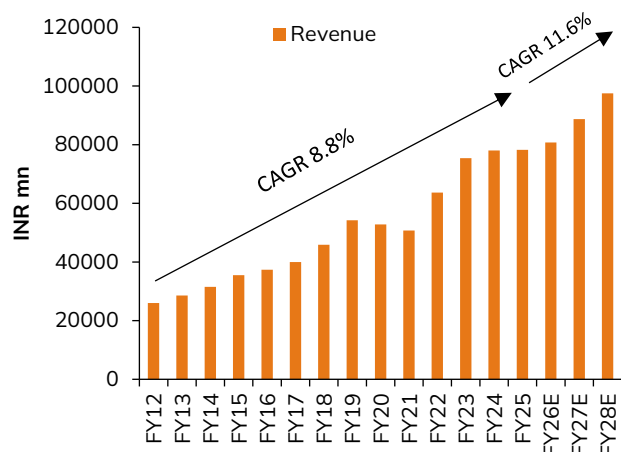
Exhibit 7: Net profit and growth rates



Source: Company data, I-Sec research

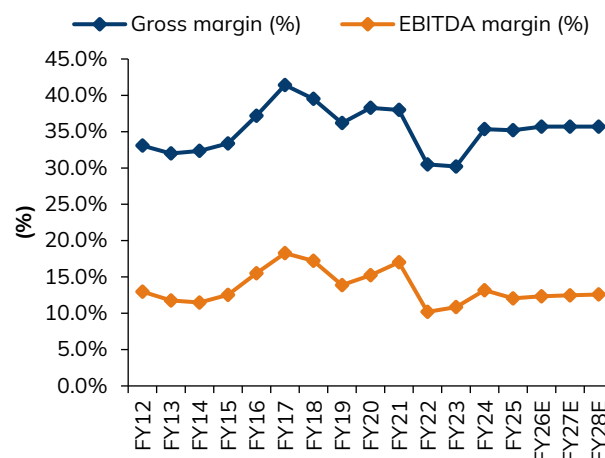
Annual operational highlights

Exhibit 8: Revenue and growth rates



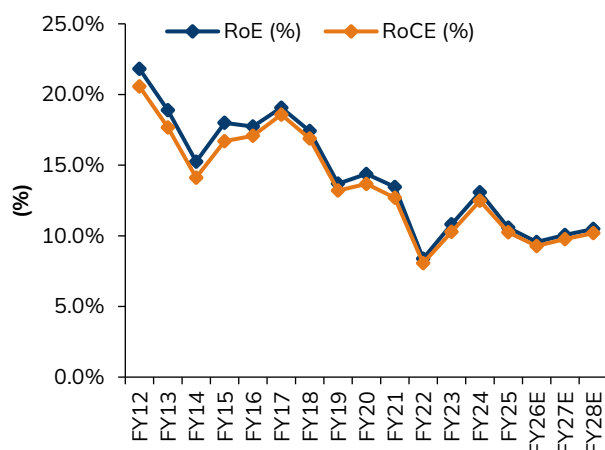
Source: Company data, I-Sec research

Exhibit 9: Gross and EBITDA margin



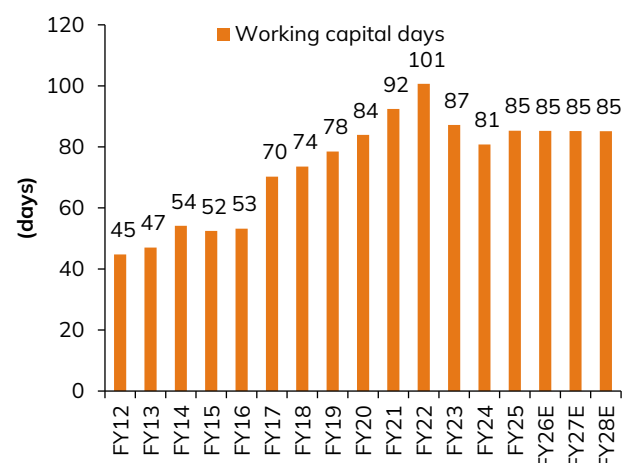
Source: Company data, I-Sec research

Exhibit 10: Return ratios



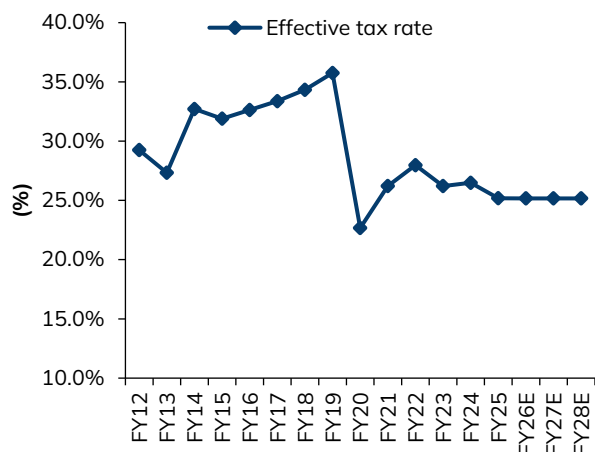
Source: Company data, I-Sec research

Exhibit 11: Working capital days



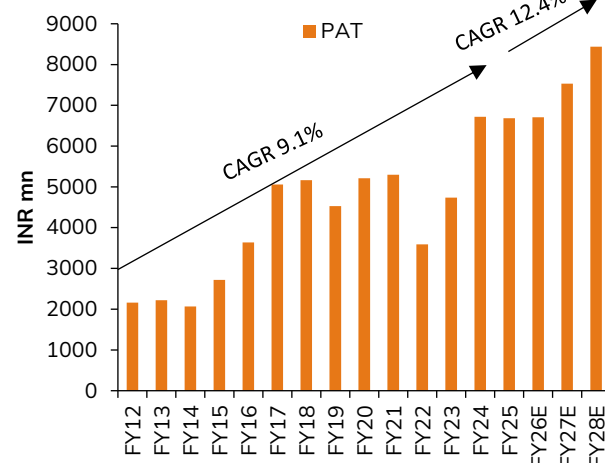
Source: Company data, I-Sec research

Exhibit 12: Effective tax rate



Source: Company data, I-Sec research

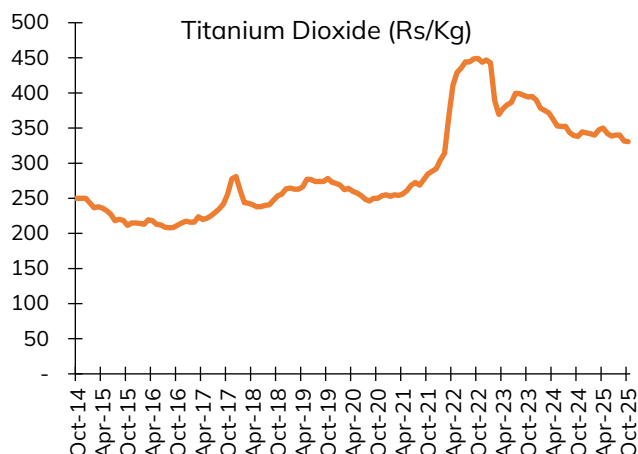
Exhibit 13: Net profit and growth rates



Source: Company data, I-Sec research

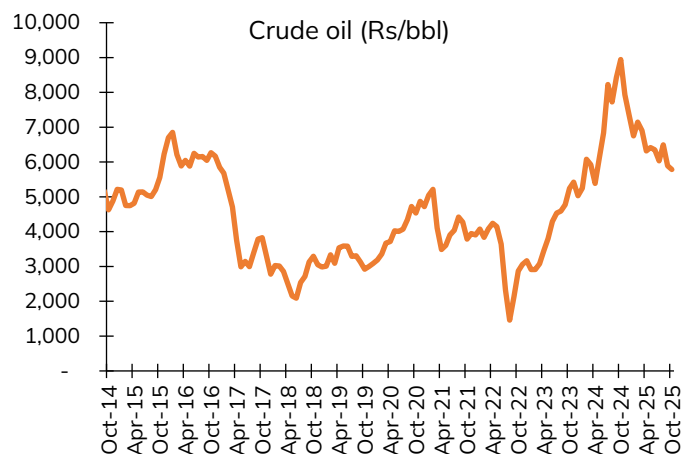
Key raw material prices

Exhibit 14: Titanium di-oxide



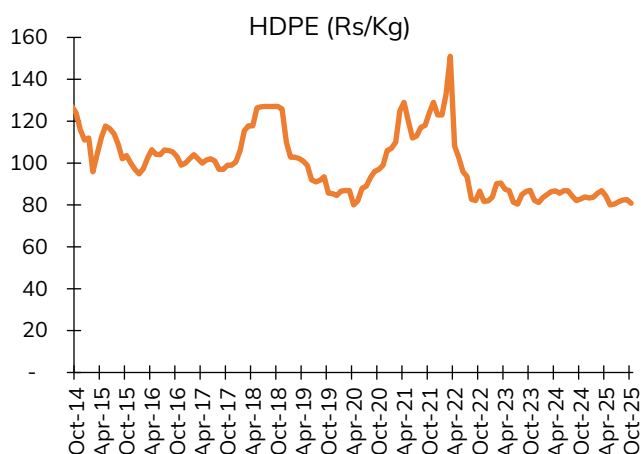
Source: Company data, I-Sec research

Exhibit 15: Crude oil



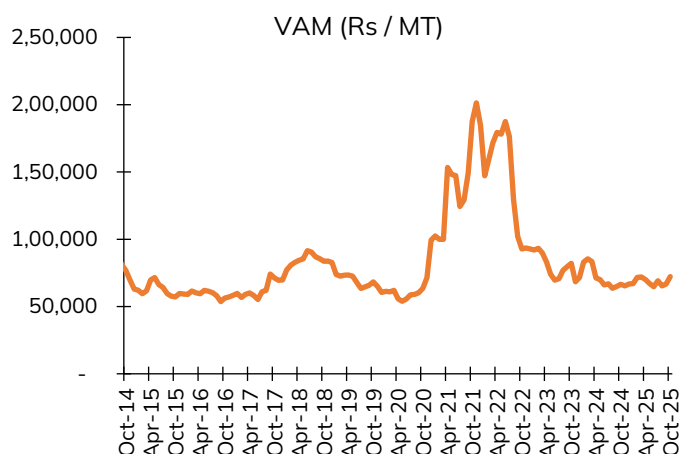
Source: Company data, I-Sec research

Exhibit 16: Packaging material - HDPE



Source: Company data, I-Sec research

Exhibit 17: VAM prices



Source: Company data, I-Sec research

Exhibit 18: Mean P/E and standard deviation



Source: Company data, I-Sec research

Exhibit 19: Shareholding pattern

%	Mar'25	Jun'25	Sep'25
Promoters	75.0	75.0	75.0
Institutional investors	15.4	15.7	15.6
MFs and other	1.9	2.0	2.1
FIs/ Banks	-	-	-
Insurance Cos.	8.1	8.2	7.7
FIIIs	5.4	5.5	5.8
Others	9.6	9.3	9.4

Source: Bloomberg, I-Sec research

Exhibit 20: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 21: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	78,230	80,744	88,727	97,503
Operating Expenses	18,113	18,851	20,601	22,516
EBITDA	9,423	9,963	11,062	12,279
EBITDA Margin (%)	12.0	12.3	12.5	12.6
Depreciation & Amortization	2,017	2,217	2,374	2,532
EBIT	7,406	7,747	8,687	9,747
Interest expenditure	313	285	285	285
Other Non-operating Income	1,392	1,011	1,123	1,220
Recurring PBT	8,485	8,473	9,525	10,682
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	2,137	2,133	2,397	2,689
PAT	6,348	6,340	7,127	7,993
Less: Minority Interest	335	368	405	445
Extraordinaries (Net)	4,770	-	-	-
Net Income (Reported)	10,784	5,972	6,723	7,548
Net Income (Adjusted)	6,683	6,708	7,532	8,439

Source Company data, I-Sec research

Exhibit 22: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	35,063	38,875	44,585	51,456
of which cash & cash eqv.	2,901	5,690	8,129	11,406
Total Current Liabilities & Provisions	13,628	14,066	15,456	16,985
Net Current Assets	21,435	24,810	29,129	34,471
Investments	22,382	22,382	22,382	22,382
Net Fixed Assets	22,438	23,222	23,847	24,315
ROU Assets	-	-	-	-
Capital Work-in-Progress	2,262	2,262	2,262	2,262
Total Intangible Assets	25	25	25	25
Long Term Loans & Advances	-	-	-	-
Deferred Tax assets	-	-	-	-
Total Assets	68,543	72,700	77,645	83,455
Liabilities				
Borrowings	2,853	2,853	2,853	2,853
Deferred Tax Liability	1,645	1,645	1,645	1,645
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Equity Share Capital	808	808	808	808
Reserves & Surplus	63,423	67,581	72,525	78,336
Total Net Worth	64,232	68,389	73,334	79,144
Minority Interest	(187)	(187)	(187)	(187)
Total Liabilities	68,543	72,700	77,645	83,455

Source Company data, I-Sec research

Exhibit 23: Quarterly trend

(INR mn, year ending March)

	Dec-24	Mar-25	Jun-25	Sep-25
Net Sales	19,219	18,167	21,620	19,542
% growth (YOY)	0.2%	2.7%	1.4%	0.1%
EBITDA	2,351	1,657	3,032	2,153
Margin %	12.2%	9.1%	14.0%	11.0%
Other Income	415	371	526	284
Extraordinaries	4,999	4	-	(50.5)
Adjusted Net Profit	1,596	1,024	2,156	1,333

Source Company data, I-Sec research

Exhibit 24: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Operating Cashflow	7,727	7,972	7,622	8,460
Working Capital Changes	(1,021)	(585)	(1,879)	(2,066)
Capital Commitments	(3,569)	(3,000)	(3,000)	(3,000)
Free Cashflow	4,158	4,972	4,622	5,460
Other investing cashflow	(6,066)	-	-	-
Cashflow from Investing Activities	(9,635)	(3,000)	(3,000)	(3,000)
Issue of Share Capital	4,742	0	0	0
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	153	-	-	-
Dividend paid	(3,032)	(2,183)	(2,183)	(2,183)
Others	-	-	-	-
Cash flow from Financing Activities	1,863	(2,183)	(2,183)	(2,183)
Chg. in Cash & Bank balance	(45)	2,789	2,440	3,277
Closing cash & balance	2,554	5,690	8,129	11,406

Source Company data, I-Sec research

Exhibit 25: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	8.3	8.3	9.3	10.4
Adjusted EPS (Diluted)	8.3	8.3	9.3	10.4
Cash EPS	10.8	11.0	12.3	13.6
Dividend per share (DPS)	3.8	2.7	2.7	2.7
Book Value per share (BV)	79.5	84.6	90.7	97.9
Dividend Payout (%)	45.4	32.5	29.0	25.9
Growth (%)				
Net Sales	0.3	3.2	9.9	9.9
EBITDA	(8.3)	5.7	11.0	11.0
EPS (INR)	(0.5)	0.4	12.3	12.0
Valuation Ratios (x)				
P/E	30.2	30.1	26.8	23.9
P/CEPS	23.2	22.6	20.4	18.4
P/BV	3.1	3.0	2.8	2.6
EV / EBITDA	19.1	17.7	15.8	13.9
P / Sales	2.6	2.5	2.3	2.1
Dividend Yield (%)	0.0	0.0	0.0	0.0
Operating Ratios				
Gross Profit Margins (%)	35.2	35.7	35.7	35.7
EBITDA Margins (%)	12.0	12.3	12.5	12.6
Effective Tax Rate (%)	25.2	25.2	25.2	25.2
Net Profit Margins (%)	8.5	8.3	8.5	8.7
Net Debt / Equity (x)	(0.4)	(0.4)	(0.4)	(0.4)
Net Debt / EBITDA (x)	(2.4)	(2.5)	(2.5)	(2.5)
Fixed Asset Turnover (x)	2.0	1.9	2.0	2.0
Working Capital Days	85	85	85	85
Inventory Turnover Days	78	79	81	81
Receivables Days	63	64	66	66
Payables Days	11	11	11	11
Profitability Ratios				
RoCE (%)	8.8	8.4	8.8	9.2
RoE (%)	11.1	10.1	10.7	11.1
RoIC (%)	8.8	8.4	8.8	9.2

Source Company data, I-Sec research

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, E-mail Address : complianceofficer@icicisecurities.com

For any queries or grievances: [Mr. Jeetu Jawrani](#) Email address: headsservicequality@icicidirect.com Contact Number: 18601231122
