30 July 2026

Asian Paints

Healthy volume, pricing and better mix paint bright outlook; assign BUY

Rating: **BUY**
Target Price (12-mth): Rs.3,180
Share Price: Rs.2,759

Asian Paints delivered a higher -than-expected performance in Q1FY27, with 9% volume growth (broadly in-line with street estimate) and 240bps y/y expansion in EBITDA margin to 20.6% (vs. street estimate of 18.1%). The performance was led by: (a) strong innovation (new product launches contributing 17% to revenue); (b) better mix; (c) strong brand building/product differentiation; (d) 7% pricing/mix; and (e) low-cost older RM inventory aiding margin. Looking ahead, the management remains optimistic of sustained demand momentum and guided for high single-digit volume growth in FY27. Notably, it maintained FY27e EBITDA margin guidance at 18-20%. Improving industry volume growth, a better volume-value mix following price hikes and the benefits of backward integration (expected to further drive margin) make us more optimistic on the company. We have increased our EPS estimates by 12/11% for FY27/28e to factor in the above and higher-than-expected quarterly performance. Hence, we upgrade our rating on Asian Paints to BUY with an upwardly revised 12-mth TP of Rs3,180 (from Rs2,870 earlier), valuing the stock at 50x FY28e EPS.

Pricing Action, Innovation and Higher Demand to Aid Growth: Standalone sales grew 17% y/y, driven by healthy demand (volume up 9%), price-led mix improvement (7%) and some dealer stocking ahead of price hikes. Kitchen/Bath business grew by ~10/4%, driven by improving demand. PPG-AP grew by 13% y/y, while AP-PPG grew 27% y/y, driven by healthy industrial and automotive demand. International business grew 27% (20% in CC terms), driven by strong performance in Egypt, the UAE and Oman. We expect revenue to clock 12% CAGR over FY26-28e, driven by pricing actions, innovation and improving industry demand.

EBITDA Margin at 9-Qtr High: EBITDA margin expanded by 240 bps y/y to 9-quarter high of 20.6%, aided by 90bps improvement in gross margin (owing to price hikes and older RM inventory), 110bps y/y decline in other expenses, lower staff cost (down 40bps y/y). The management maintained its EBITDA margin guidance of 18-20% y/y for FY27, supported by healthy demand, an improved product mix, pricing actions, and ongoing cost-efficiency initiatives. We expect EBITDA margin to expand 170bps to 20.5% over FY26-28e, aided by the benefits of backward integration and recent price hikes.

Focus on Innovation, Premiumisation and Service-led Differentiation: The management highlighted competitive intensity, which remains elevated across the industry, with aggressive actions from both incumbents as well as the new entrants. While the headline prices have largely aligned after the industry-wide price hikes, effective net pricing continues to vary due to dealer and channel discounts. The management remains focused on innovation, premiumisation and service-led differentiation rather than price-led competition.

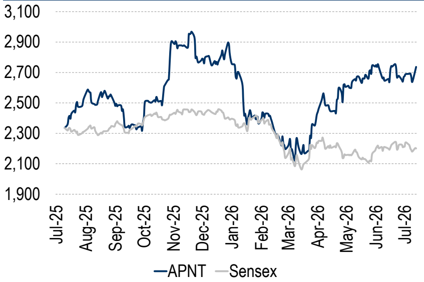
Outlook and Valuations: At CMP, the stock trades at 50/43x FY27/28e EPS of Rs55.6/63.6. Following an above par performance, we upgrade our rating on the stock to BUY with a revised TP of Rs3,180 (from Rs2,870 earlier), valuing it at 50x FY28e EPS. **Key Risks:** (a) Sharp slowdown in paint demand for paints; (b) sharp rise in input prices; and (c) intense competition from newer payers.

Key Data	APNT IN / ASPN.BO
52-week high / low	Rs2986 / 2116
Sensex / Nifty	77655 / 24250
Market cap	Rs2623bn
Shares outstanding	959m

Shareholding Pattern (%)	Jun'26	Mar'26	Dec'25
Promoters	52.6	52.6	52.6
- *of which, Pledged*	9.5	9.9	8.6
Free Float	47.4	47.4	47.4
- Foreign Institutions	13.3	12.1	12.8
- Domestic Institutions	20.7	21.7	21.1
- Public	13.4	13.6	13.5

Estimates Revision (%)	FY27e	FY28e
Sales	1.7%	2.0%
EBITDA	10.5%	10.1%
PAT	11.8%	10.7%

Relative Price Performance



Source: Bloomberg

Ajay Thakur
Research Analyst

Quick Glance – Financials and Valuations

Fig 1 – Income Statement (Rs m)

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
Net revenue	3,54,947	3,39,056	3,55,835	4,07,188	4,44,760
Growth (%)	3	-4	5	14	9
Direct cost	2,00,902	1,95,158	2,00,018	2,26,080	2,44,225
Gross profit	1,54,045	1,43,898	1,55,818	1,81,107	2,00,534
Gross margin (%)	43.4	42.4	43.8	44.5	45.1
Other expenses	78,195	83,836	88,858	1,00,278	1,09,282
EBITDA	**75,850**	**60,062**	**66,959**	**80,830**	**91,253**
EBITDA margin (%)	21.4	17.7	18.8	19.9	20.5
- Depreciation	8,530	10,263	12,289	13,368	14,412
Other income	6,880	5,726	7,238	7,840	8,360
Interest expenses	2,052	2,270	1,954	2,110	1,681
PBT	72,148	53,255	59,955	73,191	83,519
Effective tax rates (%)	24.8	26.2	26.8	26.3	26.3
+ Associates / (Minorities)	975	425	693	650	600
Net Income	53,272	38,896	43,174	53,329	60,996
WANS	959	959	959	959	959
FDEPS (Rs)	55.5	40.6	45.0	55.6	63.6

Fig 2 – Balance Sheet (Rs m)

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
Share capital	959	959	959	959	959
Net worth	1,87,283	1,93,998	2,13,716	2,35,871	2,60,896
Debt	11,071	8,638	22,933	15,433	10,433
Minority interest	6,954	6,592	6,434	7,084	7,684
TL / (Assets)	3,289	3,888	3,875	2,116	2,116
	-	-	-	-	-
Capital employed	**2,08,597**	**2,13,116**	**2,46,958**	**2,60,503**	**2,81,128**
Net tangible assets	67,605	88,340	92,542	94,173	94,761
Net intangible assets	1,433	1,433	1,433	1,433	1,433
Goodwill	2,429	2,429	2,429	2,429	2,429
CWIP (tang. & intang.)	26,984	12,545	18,487	6,000	7,000
Investments (strategic)	13,845	14,798	7,759	6,561	6,561
Investments (financial)	32,034	32,450	62,858	64,057	64,057
Current assets (excl. cash)	1,43,839	1,43,739	1,48,944	1,57,996	1,71,868
Cash	10,840	7,820	10,737	34,229	48,108
Current liabilities	90,411	90,437	98,230	1,06,374	1,15,087
Working capital	53,428	53,303	50,714	51,622	56,781
Capital deployed	**2,08,597**	**2,13,116**	**2,46,958**	**2,60,503**	**2,81,128**

Fig 3 – Cash-flow Statement (Rs m)

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
PBT	73,478	51,031	60,034	73,191	83,519
+ Non-cash items	-5,808	-12,866	-11,828	-7,638	-7,733
Oper. prof. before WC	79,286	63,897	71,863	80,830	91,253
- Incr./ (decr.) in WC	101	-5,702	14,757	-908	-5,159
Others incl. taxes	18,351	13,955	15,738	19,213	21,924
Operating cash-flow	61,036	44,240	70,882	60,709	64,170
- Capex (tang. + intang.)	-24,910	-18,200	-14,841	-2,513	-16,000
Free cash-flow	36,127	26,040	56,041	58,196	48,170
Acquisitions					
- Div. (incl. buyback & taxes)	25,509	31,402	24,254	31,174	35,970
+ Equity raised	9	-	-	-	-
+ Debt raised	867	-2,077	12,464	-7,500	-5,000
- Fin investments	2,530	-6,548	1,187	-	-
- Misc. (CFI + CFF)	2,929	753	9,288	-3,970	-6,679
Net cash-flow	6,035	-1,644	33,776	23,492	13,878

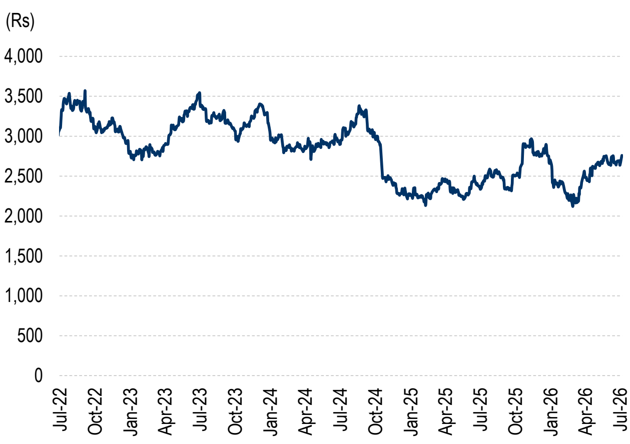
Source: Company, Anand Rathi Research

Fig 4 – Ratio Analysis

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
P/E (x)	49.7	68.0	61.3	49.6	43.4
EV / EBITDA (x)	34.5	43.5	38.8	31.7	27.9
EV / Sales (x)	7.4	7.7	7.3	6.3	5.7
P/B (x)	14.1	13.6	12.4	11.2	10.1
RoE (%)	28.4	20.0	20.2	22.6	23.4
RoCE (%) - after tax	28.9	19.4	19.7	21.9	23.2
RoIC (%) - after tax	36.3	24.2	26.2	33.1	37.9
DPS (Rs)	33.3	24.8	27.5	32.5	37.5
Dividend yield (%)	1.2	0.9	1.0	1.2	1.4
Dividend payout (%) - incl. DDT	60.0	61.2	61.1	58.5	59.0
Net debt / equity (x)	0.0	0.0	0.1	-0.1	-0.1
Receivables (days)	50.3	46.4	45.8	46.0	46.0
Inventory (days)	60.9	72.3	58.9	59.3	58.8
Payables (days)	37.1	36.9	39.6	46.7	46.3
CFO : PAT (%)	114.6	113.7	164.2	113.8	105.2

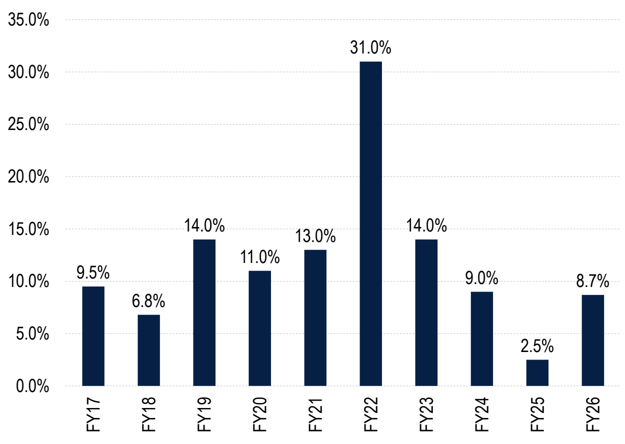
Source: Company, Anand Rathi Research

Fig 5 – Price Movement



Source: Bloomberg

Fig 6 – Volume-growth Trend



Source: Company

Earnings Concall – Key Highlights

Demand Trends

- **Decorative Segment:** Volume grew 9% y/y, while decorative value sales increased 16% y/y, aided by price hikes, premiumisation and improved mix.
- **Rural vs. Urban Markets:** Rural markets continued to outperform urban markets, while B2B demand remained strong across urban infra and industrial projects.
- **Even Demand During the Quarter:** All three months of the quarter saw healthy demand, with some dealer stocking ahead of price hikes but underlying secondary demand remaining healthy.
- **FY27 Volume Outlook:** The management expects 8-10% volume growth in FY27, aided by festive demand, premiumisation and steady consumer demand.
- **New Products:** Contributed ~17% of revenue, reflecting continued innovation across decorative paints, waterproofing, premium, and luxury categories.
- **Product Differentiation:** The management launched multiple innovations, including anti-damp technology, colour warranty, heat-resistant waterproofing solutions, and premium luxury coatings to strengthen differentiation and drive premiumisation.
- **Premiumisation:** Remains a key growth lever, with continued focus on upgrading consumers across product categories.

B2B & Industrial Coating Business

- **B2B Biz:** Remained a key growth driver, aided by strong execution across builders, factories, hospitality, government infrastructure, airports, ports and industrial projects.
- **Industrial Coatings Biz:** Delivered healthy growth, with strong momentum in automotive, marine, packaging and general industrial coatings, although margin remained temporarily impacted due to delayed price pass-through.

Home Décor Business

- **Kitchen and Weatherseal Biz:** Delivered strong double-digit growth, while Bath and White Teak remained relatively softer.
- **Continued Investment:** The management continues to invest in building an integrated home décor ecosystem through the Beautiful Homes platform despite near-term profitability challenges.

International Business

- International business grew by 27% y/y, led by Egypt, UAE, Nepal, Bangladesh and other Asian and Middle East markets, with significant improvement in profitability.
- The management remains positive on international growth, aided by innovation, launch of premium products and market expansion.

Pricing

- The company implemented ~7% weighted average price hikes in Q1FY27, while RM inflation remained significantly higher (~25%).
- Further pricing action will remain calibrated depending on RM inflation and demand conditions.
- Industrial price hikes typically lag decorative paints due to contractual customer arrangements.
- The management expects the value-volume gap to remain positive over the next few quarters until pricing normalises.

Margin

- **Standalone Gross Margin:** Moderated sequentially due to RM inflation but remained higher on y/y basis, led by premiumisation, product mix, calibrated price hikes and low-cost inventory.
- **Product-mix:** Improved in Q1, with premium products contributing ~3% incremental mix, supporting higher realisation and margin.
- **Guidance:** The management reiterated its 18-20% EBITDA margin guidance, aided by premiumisation, pricing actions, backward integration, sourcing efficiencies and cost optimisation.

Distribution & Services

- **Expansion:** The company continued expanding its distribution network while strengthening service-led offerings through Beautiful Homes Painting Service, Total Assure, Smart Assure, and industrial asset protection solutions.

Backward Integration

- The white cement plant is fully operational, while the Phase-I of VAM/VAE manufacturing project will begin in Q2FY27.
- The management expects VAM/VAE project to reach optimal utilisation over next 2-2.5 years, aiding innovation and cost efficiency.
- It expects backward integration to improve innovation, strengthen cost competitiveness, and support long-term margin expansion.

Competitive Intensity

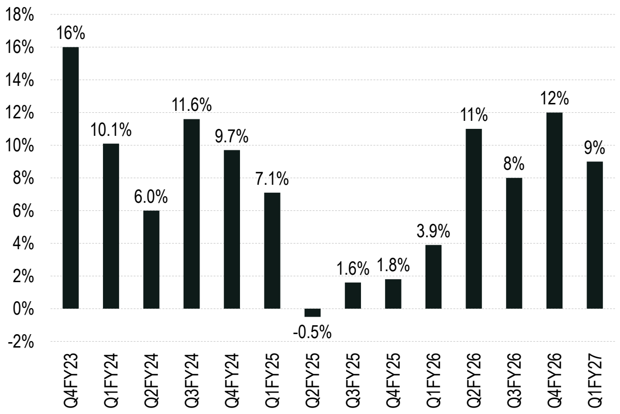
- Competitive intensity remains elevated across segments with aggressive pricing and discounting continuing across the industry.
- The management remains focused on strengthening brand equity via innovation, premiumisation, customer service and technology.
- Effective net pricing continues to differ due to varying dealer, contractor, and channel discounts.

Outlook

- The management remains cautiously optimistic on demand, while monitoring geopolitical uncertainty, RM inflation and crude-linked volatility.
- It expects festive season demand and favourable monsoons to aid growth in H2FY27.

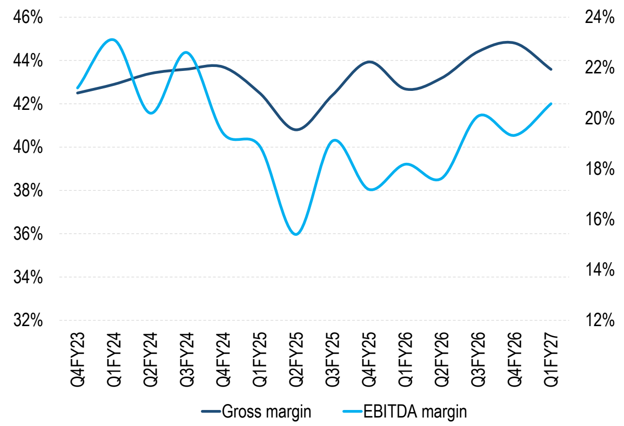
- Key priorities: **(a)** brand building; **(b)** innovation; **(c)** premiumisation; **(d)** B2B expansion; **(e)** regionalisation; **(f)** service differentiation; **(g)** backward integration; and **(h)** disciplined cost management.

Fig 7 – Quarterly Volume Trend



Source: Company, Anand Rathi Research

Fig 8 – Quarterly Gross Margin and EBITDA Margin Trends



Source: Company, Anand Rathi Research

Result Highlights

Fig 9 – Quarterly Results – Standalone

(Rs m)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27
Volume growth (%)	10.0	6.0	12.0	10.0	7.0	-1.0	1.6	2.0	3.9	11.0	8.0	12.0	9.0
Net sales	**81,140**	**73,422**	**79,130**	**74,809**	**78,816**	**68,684**	**74,178**	**71,924**	**78,685**	**73,563**	**76,245**	**79,202**	**91,834**
y/y (%)	7%	0%	5%	-2%	-3%	-6%	-6%	-4%	0%	7%	3%	10%	17%
Gross profit	35,357	32,387	35,136	33,428	33,973	28,416	32,075	32,517	34,082	32,268	34,389	36,278	40,410
Gross margin (%)	43.6%	44.1%	44.4%	44.7%	43.1%	41.4%	43.2%	45.2%	43.3%	43.9%	45.1%	45.8%	44.0%
Staff cost	4,046	4,495	4,279	4,659	5,145	5,114	4,674	4,810	5,545	5,334	5,325	5,562	6,159
Staff cost (% of net sales)	5.0%	6.1%	5.4%	6.2%	6.5%	7.4%	6.3%	6.7%	7.0%	7.3%	7.0%	7.0%	6.7%
Other expenses	11,313	12,044	11,886	13,281	12,898	12,080	12,313	14,464	13,337	13,343	12,796	14,016	14,133
Other expenses (% of net sales)	13.9%	16.4%	15.0%	17.8%	16.4%	17.6%	16.6%	20.1%	16.9%	18.1%	16.8%	17.7%	15.4%
EBITDA	**19,998**	**15,847**	**18,971**	**15,488**	**15,930**	**11,222**	**15,088**	**13,243**	**15,200**	**13,591**	**16,267**	**16,700**	**20,117**
y/y (%)	37%	42%	27%	-11%	-20%	-29%	-20%	-14%	-5%	21%	8%	26%	32%
EBITDA margins (%)	24.6%	21.6%	24.0%	20.7%	20.2%	16.3%	20.3%	18.4%	19.3%	18.5%	21.3%	21.1%	21.9%
PBT	20,182	15,506	19,142	15,221	15,924	10,574	14,762	11,589	14,682	12,879	15,814	15,588	19,820
y/y (%)	47%	52%	33%	-8%	-21%	-32%	-23%	-24%	-8%	22%	7%	35%	35%
PAT	**15,084**	**11,603**	**14,435**	**12,094**	**11,924**	**6,023**	**11,041**	**6,944**	**10,996**	**9,556**	**10,253**	**11,607**	**14,784**
y/y (%)	48%	52%	33%	-2%	-21%	-48%	-24%	-43%	-8%	59%	-7%	67%	34%

Source: Company

Fig 10 – Quarterly Results – Consolidated

(Rs m)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27
Net sales	**91,823**	**84,786**	**91,031**	**87,308**	**89,697**	**80,275**	**85,494**	**83,589**	**89,386**	**85,313**	**88,670**	**92,467**	**105,419**
y/y (%)	7%	0%	5%	-1%	-2%	-5%	-6%	-4%	0%	6%	4%	11%	18%
Gross profit	39,419	36,771	39,695	38,160	38,152	32,732	36,291	36,724	38,155	36,849	39,382	41,432	45,955
Gross margin (%)	42.9%	43.4%	43.6%	43.7%	42.5%	40.8%	42.4%	43.9%	42.7%	43.2%	44.4%	44.8%	43.6%
Staff cost	5,457	5,961	5,702	6,142	6,742	6,765	6,151	6,315	7,030	6,862	6,895	7,210	7,904
Staff cost (% of net sales)	5.9%	7.0%	6.3%	7.0%	7.5%	8.4%	7.2%	7.6%	7.9%	8.0%	7.8%	7.8%	7.5%
Other expenses	12,750	13,648	13,432	15,105	14,472	13,572	13,773	16,047	14,876	14,953	14,677	16,356	16,363
Other expenses (% of net sales)	13.9%	16.1%	14.8%	17.3%	16.1%	16.9%	16.1%	19.2%	16.6%	17.5%	16.6%	17.7%	15.5%
EBITDA	**21,213**	**17,162**	**20,561**	**16,914**	**16,938**	**12,395**	**16,367**	**14,362**	**16,250**	**15,034**	**17,810**	**17,866**	**21,688**
y/y (%)	36.3%	39.8%	27.6%	-9.3%	-20.2%	-27.8%	-20.4%	-15.1%	-4.1%	21.3%	8.8%	24.4%	33.5%
EBITDA margin (%)	23.1%	20.2%	22.6%	19.4%	18.9%	15.4%	19.1%	17.2%	18.2%	17.6%	20.1%	19.3%	20.6%
PBT	20,639	16,218	19,199	15,988	15,669	11,081	14,683	11,822	14,724	13,532	15,810	15,889	20,576
y/y (%)	46%	51%	33%	-7%	-24%	-32%	-24%	-26%	-6%	22%	8%	34%	40%
PAT	**15,400**	**12,054**	**14,477**	**12,567**	**11,700**	**6,946**	**11,105**	**6,921**	**10,998**	**9,936**	**10,599**	**11,721**	**15,393**
y/y (%)	51%	54%	35%	2%	-24%	-42%	-23%	-45%	-6%	43%	-5%	69%	40%

Source: Company

Outlook and Valuation

Asian Paints delivered a higher-than-expected performance in Q1FY27, with 9% volume growth (broadly in-line with street estimate) and 240bps y/y expansion in EBITDA margin to 20.6% (vs. street estimate of 18.1%). The performance was led by: (a) strong innovation (new product launches contributing 17% to revenue); (b) better mix; (c) strong brand building/product differentiation; (d) 7% pricing/mix; and (e) low cost older RM inventory aiding margin.

Looking ahead, the management remains optimistic of sustained demand momentum and guided for high single-digit volume growth in FY27e, while it maintained FY27e EBITDA margin guidance at 18-20%. Improving industry volume growth, a better volume-value mix following price hikes and the benefits of backward integration (expected to further drive margin) make us more optimistic on the company.

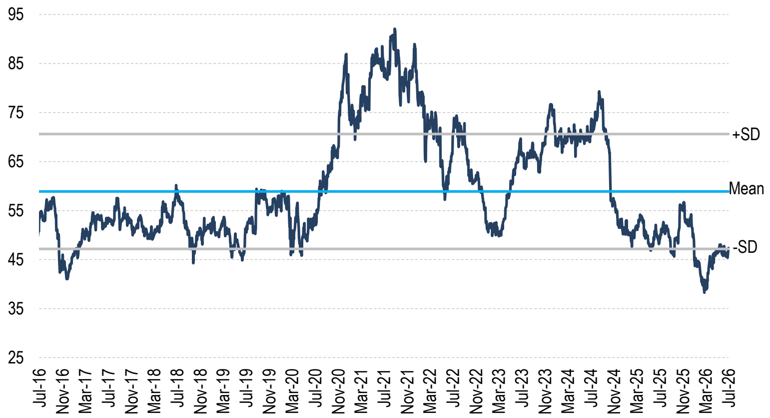
At CMP, the stock trades at 50/43x FY27/28e EPS of Rs55.6/63.6. We have increased our EPS estimates by 12/11% for FY27/28e to factor in the above and higher-than-expected quarterly performance. Hence, we upgrade our rating on Asian Paints to BUY with an upwardly revised 12-mth TP of Rs3,180 (from Rs2,870 earlier), valuing the stock at 50x FY28e EPS.

Fig 11 – Change in Estimates

(Rs m)	Old Estimates			Revised Estimates		
	FY27e	FY28e	Change (%)	FY27e	FY28e	Change (%)
Sales	4,00,472	4,35,897	4,07,188	4,44,760	1.7	2.0
EBITDA	73,138	82,894	80,830	91,253	10.5	10.1
PAT	47,716	55,098	53,329	60,996	11.8	10.7

Source: Anand Rathi Research

Fig 12 – 1-Year Fwd. PE



Source: BSE, Bloomberg, Anand Rathi Research

Key Risks

- Sharp slowdown in paint demand for paints.
- Sharp rise in input prices.
- Intense competition from newer players.

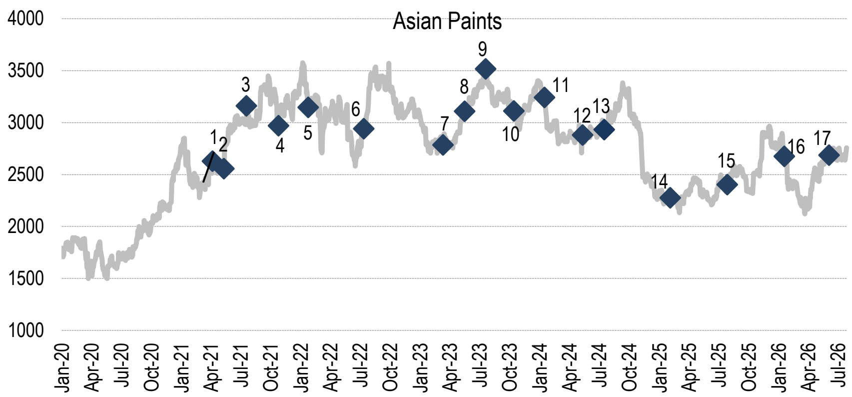
Appendix

Analyst Certification

The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

Important Disclosures on subject companies

Rating and Target Price History (as of 29 July 2026)



	Date	Rating	TP (Rs)	Share Price (Rs)
2	13-May-21	Sell	2,643	2,556
3	21-Jul-21	Sell	2,748	3,159
4	21-Oct-21	Sell	3,102	3,004
5	20-Jan-22	Sell	3,359	3,287
6	26-Jul-22	Hold	3,570	3,108
7	14-Mar-23	Buy	3,260	2,783
8	15-May-23	Buy	3,600	3,131
9	25-Jul-23	Buy	3,725	3,400
10	27-Oct-24	Buy	3,650	2,954
11	17-Jan-24	Hold	3,650	3,242
12	11-May-24	Hold	3,150	2,773
13	18-Jul-24	Hold	2,950	2,930
14	05-Feb-25	Sell	2,240	2,276
15	30-Jul-26	Sell	2,340	2,415
16	28-Jan-26	Sell	2,440	2,626
17	31-May-26	Hold	2,870	2,672

Anand Rathi Ratings Definitions

Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps, Mid Caps & Small Caps as described in the Ratings Table below:

Ratings Guide (12 months)	**Buy**	**Hold**	**Sell**
Large Caps (Top 100 companies)	>15%	0-15%	<0%
Mid Caps (101st-250th company)	>20%	0-20%	<0%
Small Caps (251st company onwards)	>25%	0-25%	<0%

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