

India

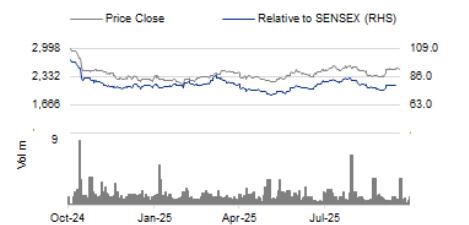
REDUCE (no change)

Consensus ratings*: Buy 11 Hold 9 Sell 18

Current price:	Rs2,770
Target price:	Rs2,600
Previous target:	Rs2,220
Up/downside:	-6.1%
InCred Research / Consensus:	6.6%
Reuters:	ASPN.NS
Bloomberg:	APNT IN
Market cap:	US\$29,972m
Average daily turnover:	Rs2,656,786m
Current shares o/s:	US\$31.8m
Free float:	Rs2816.6m
*Source: Bloomberg	959.2m
	47.4%

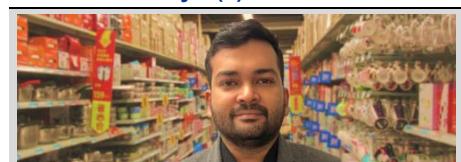
Key changes in this note

► Raise target price to Rs2,600.



Source: Bloomberg			
Price performance	1M	3M	12M
Absolute (%)	18.4	11.8	11.9
Relative (%)	15.6	6.2	4.2
Major shareholders			% held
Promoter and Promoter Group			52.6
LIC			8.5
SBI MF			5.4

Research Analyst(s)



Rohan KALLE

T (91) 22 4161 1561
 E rohan.kalle@incredresearch.com

Nishant BAGRECHA

T (91) 22 4161 1564
 E nishant.bagrecha@incredresearch.com

Asian Paints Limited

Competitive headwinds limit optimism

- Consolidated/standalone sales grew by 6.3%/5.6% yoy, respectively, in 2Q. Decorative business posted volume growth of 10.9% led by prelux segment.
- EBITDA margin expanded by 70bp yoy to 17.9% in 1HFY26. EBITDA margin is expected to remain at the mid-range of the 18-20% guided range.
- While Asian Paints delivered a strong beat in 2Q, we expect competitive intensity to remain high. Retain REDUCE rating with a new TP of Rs2,600.

Positive surprise led by superior execution at the end of 2QFY26

Asian Paints delivered a notable surprise in 2QFY26, showcasing superior execution towards the end of the quarter to reverse the recent trend of sales decline. Consolidated/standalone sales grew 6.3%/5.6%. The decorative segment posted 10.9% volume growth, with significant acceleration fuelled by strong focus on the B2B segment, new launches and channel schemes/rebates rolled out in Sep 2025, which led to growth across categories, especially the pre-lux segment. Growth was broad-based across urban and rural markets, with strong contribution from all categories except exterior coatings, which was impacted by extended monsoons. Decorative & industrial businesses posted a combined volume growth of 11% (6.7% value growth). Industrial business posted 12.3% yoy growth led by 13.3% yoy growth in PPG-AP (automotive segment) and 10.3% yoy growth in AP-PPG (general industrial segment), driven by protective coatings segment. Home décor business continued to remain under pressure, with kitchen/bath businesses declining by 7%/5% yoy, respectively. International business posted 10% yoy growth in 2Q with 17% growth in Asia, led by Nepal & Sri Lanka, while the Middle East region posted 2% growth, led by the UAE, where the focus has been on driving waterproofing and prelux categories. International business PBT improved by 450bp yoy to 9%, aided by divestment of loss-making operations in Indonesia and stable raw material prices.

Challenging demand environment persists; outlook remains weak

Management commentary pointed towards mid-single digit value growth, with 4-5% value/volume gap to continue in the medium term as competitive intensity remains high. During the quarter, there was raw material price decline of 1.69%. We believe the company extended strong schemes/rebates in Sep 2025 to its channel to drive growth ahead of festive season and was able to drive strong momentum until the end of the quarter.

Maintain REDUCE rating with a new target price of Rs2,600

The Indian paint industry is grappling with weak overall demand environment for decorative paints, coupled with intense competition from Birla Opus. While Asian Paints outperformed the industry in 2Q, we believe it's too soon to call out an industrywide demand recovery as 1H was weak for all players, including Birla Opus. Maintain REDUCE rating on the stock with a higher target price of Rs2,600 (50x Sep 2027F EPS), from Rs2,220 earlier. Upside risk: Outperformance in sales/volume growth in core decorative paint categories.

Financial summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	354,947	339,056	358,702	385,846	425,294
Operating EBITDA (Rsm)	75,850	60,062	65,256	71,613	80,353
Net Profit (Rsm)	54,602	36,672	43,543	47,418	52,617
Core EPS (Rs)	56.9	41.0	45.4	49.4	54.9
Core EPS Growth	31.8%	(28.1%)	10.8%	8.9%	11.0%
FD Core P/E (x)	48.66	72.45	61.02	56.03	50.49
DPS (Rs)	32.0	23.8	24.3	26.0	28.6
Dividend Yield	1.15%	0.86%	0.88%	0.94%	1.03%
EV/EBITDA (x)	34.88	44.05	40.55	36.84	32.72
P/FCFE (x)	92.73	99.69	109.37	78.48	71.70
Net Gearing	(9.3%)	(8.7%)	(8.0%)	(10.8%)	(13.2%)
P/BV (x)	14.19	13.69	12.51	11.41	10.37
ROE	31.5%	20.6%	21.4%	21.3%	21.5%
% Change In Core EPS Estimates			1.64%	0.45%	1.25%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Competitive headwinds limit optimism

Figure 1: Quarterly result summary - consolidated

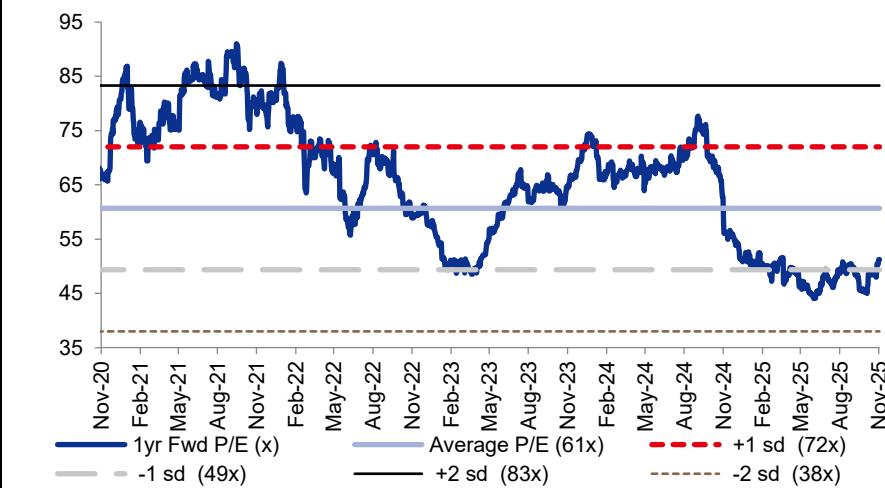
Y/E Mar (Rs m)	2QFY25	1QFY26	2QFY26	YoY (%)	QoQ (%)	1HFY25	1HFY26	(%)
Revenue	80,275	89,386	85,317	6.3	-4.6	1,69,973	1,74,703	2.8
Expenditure	67,880	73,136	70,279	3.5	-3.9	1,40,640	1,43,415	2.0
Consumption of raw materials	47,543	51,231	48,463	1.9	-5.4	99,089	99,694	0.6
as % of sales	59.2	57.3	56.8			58.3	57.1	
Employee costs	6,765	7,030	6,862	1.4	-2.4	13,507	13,892	2.8
as % of sales	8.4	7.9	8.0			7.9	8.0	
Other expenditure	13,572	14,876	14,953	10.2	0.5	28,044	29,829	6.4
as % of sales	16.9	16.6	17.5			16.5	17.1	
EBITDA	12,395	16,250	15,038	21.3	-7.5	29,333	31,288	6.7
Depreciation	2,420	3,009	3,049	26.0	1.3	4,697	6,058	29.0
EBIT	9,975	13,241	11,989	20.2	-9.5	24,636	25,230	2.4
Other income	1,736	1,928	1,986	14.5	3.0	3,298	3,914	18.7
Interest	630	445	439	-30.4	-1.4	1,184	884	-25.4
PBT	11,081	14,724	13,537	22.2	-8.1	26,750	28,260	5.6
Total tax	2,654	3,917	3,733	40.7	-4.7	6,822	7,650	12.1
PAT	8,427	10,807	9,804	16.3	-9.3	19,928	20,611	3.4
Minority interest	-321	-190	-137	-57.4	-28.3	-520	-327	-37.1
Adjusted net profit	8,748	10,998	9,940	13.6	-9.6	20,448	20,938	2.4
Extraordinary items	1,801	0	0	-100.0	NA	1,801	0	-100.0
Reported net profit	6,946	10,998	9,940	43.1	-9.6	18,646	20,938	12.3
Adjusted EPS	9.1	11.5	10.4	13.6	-9.6	21.3	21.8	2.4
Margins (%)	2QFY25	1QFY26	2QFY26	YoY (bp)	QoQ (bp)	1HFY25	1HFY26	(bp)
Gross margin	40.8	42.7	43.2	240	50	41.7	42.9	120
EBITDA	15.4	18.2	17.6	220	-60	17.3	17.9	70
EBIT	12.4	14.8	14.1	160	-80	14.5	14.4	-10
EBT	13.8	16.5	15.9	210	-60	15.7	16.2	40
PAT	10.5	12.1	11.5	100	-60	11.7	11.8	10
Effective tax rate	23.9	26.6	27.6	360	100	25.5	27.1	160

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

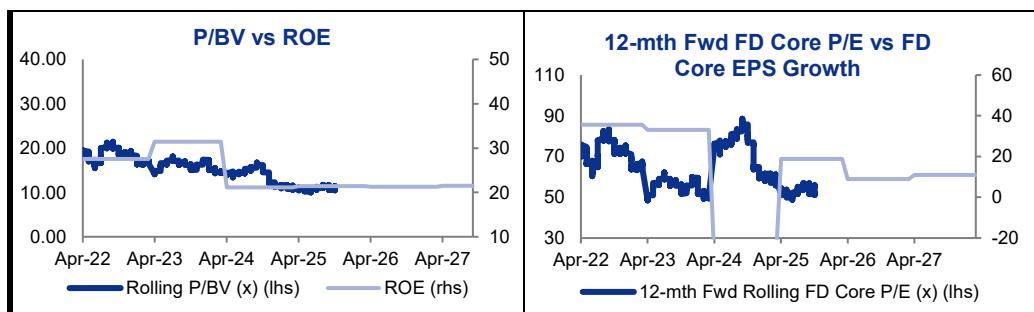
Y/E Mar (Rs m)	FY26F			FY27F			FY28F		
	Earlier	Revised	% Change	Earlier	Revised	% Change	Earlier	Revised	% Change
Revenues	3,54,756	3,58,702	1.1	3,85,153	3,85,846	0.2	4,18,440	4,25,294	1.6
EBITDA	64,316	65,256	1.5	70,156	71,613	2.1	76,229	80,352	5.4
EBITDA margin (%)	18.1	18.2	6bp	18.2	18.6	35bp	18.2	18.9	68bp
Net profit	42,840	43,543	1.6	47,205	47,418	0.5	51,967	52,617	1.3
EPS	44.7	45.4	1.6	49.2	49.4	0.5	54.2	54.9	1.2

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Asian Paints' one-year forward P/E trades slightly above -1SD level

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss					
(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	354,947	339,056	358,702	385,846	425,294
Gross Profit	154,045	143,898	152,538	165,176	182,640
Operating EBITDA	75,850	60,062	65,256	71,613	80,353
Depreciation And Amortisation	(8,530)	(10,263)	(11,937)	(13,323)	(15,405)
Operating EBIT	67,320	49,799	53,319	58,290	64,947
Financial Income/(Expense)	4,828	3,456	3,458	3,711	3,969
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-El)	72,148	53,255	56,776	62,001	68,916
Exceptional Items	(3,631)				
Pre-tax Profit	72,148	49,624	56,776	62,001	68,916
Taxation	(17,901)	(13,934)	(14,033)	(15,583)	(17,299)
Exceptional Income - post-tax					
Profit After Tax	54,247	35,690	42,743	46,418	51,617
Minority Interests	355	982	800	1,000	1,000
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	54,602	36,672	43,543	47,418	52,617
Recurring Net Profit	54,602	39,284	43,543	47,418	52,617
Fully Diluted Recurring Net Profit	54,602	39,284	43,543	47,418	52,617

Cash Flow					
(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	75,850	60,062	65,256	71,613	80,353
Cash Flow from Invt. & Assoc.					
Change In Working Capital	891	(1,168)	(4,688)	(189)	(4,268)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(2,052)	(2,270)	(2,653)	(2,722)	(2,772)
Tax Paid	(17,901)	(13,934)	(14,033)	(15,583)	(17,299)
Cashflow From Operations	56,788	42,690	43,881	53,120	56,014
Capex	(37,172)	(18,556)	(25,700)	(25,700)	(25,700)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	3,618	4,358	6,111	6,433	6,741
Cash Flow From Investing	(33,555)	(14,198)	(19,589)	(19,267)	(18,959)
Debt Raised/(repaid)	5,418	(1,841)			
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(30,658)	(22,840)	(23,323)	(24,923)	(27,425)
Preferred Dividends					
Other Financing Cashflow	6,315	(5,197)	(682)	(682)	(682)
Cash Flow From Financing	(18,925)	(29,878)	(24,005)	(25,605)	(28,107)
Total Cash Generated	4,309	(1,385)	287	8,248	8,947
Free Cashflow To Equity	28,651	26,652	24,292	33,853	37,055
Free Cashflow To Firm	25,285	30,763	26,945	36,575	39,827

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	42,874	40,269	40,556	48,804	57,751
Total Debtors	48,908	43,224	52,684	58,781	64,946
Inventories	59,234	67,193	64,520	61,083	67,378
Total Other Current Assets	35,696	34,023	34,023	34,023	34,023
Total Current Assets	186,713	184,709	191,784	202,690	224,099
Fixed Assets	94,258	102,550	116,313	128,690	138,985
Total Investments	13,845	14,798	14,798	14,798	14,798
Intangible Assets	4,192	2,196	2,196	2,196	2,196
Total Other Non-Current Assets					
Total Non-current Assets	112,295	119,544	133,307	145,684	155,978
Short-term Debt	13,247	9,074	9,074	9,074	9,074
Current Portion of Long-Term Debt					
Total Creditors	73,888	72,922	75,171	77,486	85,439
Other Current Liabilities	625	672			
Total Current Liabilities	87,760	82,667	84,245	86,560	94,513
Total Long-term Debt	11,497	13,829	13,829	13,829	13,829
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	11,497	13,829	13,829	13,829	13,829
Total Provisions	6,139	7,837	7,688	7,843	8,084
Total Liabilities	105,396	104,334	105,762	108,232	116,425
Shareholders Equity	187,283	193,998	212,436	232,949	256,159
Minority Interests	6,954	6,592	6,892	7,192	7,492
Total Equity	194,237	200,591	219,328	240,142	263,652

Key Ratios					
	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	2.9%	(4.5%)	5.8%	7.6%	10.2%
Operating EBITDA Growth	21.2%	(20.8%)	8.6%	9.7%	12.2%
Operating EBITDA Margin	21.4%	17.7%	18.2%	18.6%	18.9%
Net Cash Per Share (Rs)	18.90	18.11	18.40	27.00	36.33
BVPS (Rs)	195.25	202.25	221.47	242.86	267.06
Gross Interest Cover	32.81	21.94	20.10	21.41	23.43
Effective Tax Rate	24.8%	28.1%	24.7%	25.1%	25.1%
Net Dividend Payout Ratio	56.1%	56.7%	53.6%	52.6%	52.1%
Accounts Receivables Days	49.00	49.59	48.80	52.72	53.09
Inventory Days	110.23	118.23	116.60	103.88	96.62
Accounts Payables Days	128.71	137.29	131.09	126.25	122.54
ROIC (%)	40.1%	28.4%	27.4%	28.1%	29.2%
ROCE (%)	33.7%	22.7%	23.1%	23.3%	23.8%
Return On Average Assets	17.8%	11.9%	12.5%	12.7%	13.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

DISCLAIMER

This report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by Incred Research Services Private Ltd. (formerly known as Earnest Innovation Partners Private Limited) (hereinafter referred to as "IRSPL"). IRSPL is registered with SEBI as a Research Analyst vide Registration No. INH000011024. Pursuant to a trademark agreement, IRSPL has adopted "Incred Equities" as its trademark for use in this report.

The term "IRSPL" shall, unless the context otherwise requires, mean IRSPL and its affiliates, subsidiaries and related companies. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IRSPL and its affiliates/group companies to registration or licensing requirements within such jurisdictions.

This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of IRSPL.

The information contained in this report is prepared from data believed to be correct and reliable at the time of issue of this report.

IRSPL is not required to issue regular reports on the subject matter of this report at any frequency and it may cease to do so or change the periodicity of reports at any time. IRSPL is not under any obligation to update this report in the event of a material change to the information contained in this report. IRSPL has not any and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant; (ii) ensure that the content of this report constitutes all the information a prospective investor may require; (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, IRSPL and its affiliates/group companies (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. While every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of IRSPL and its affiliates/group companies to any person to buy or sell any investments.

The opinions expressed are based on information which is believed to be accurate and complete and obtained through reliable public or other non-confidential sources at the time made (information barriers and other arrangements may be established, where necessary, to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations. In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request. The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

IRSPL may have issued other reports (based on technical analysis, event specific, short-term views, etc.) that are inconsistent with and reach a different conclusion from the information presented in this report.

Holding of Analysts/Relatives of Analysts, IRSPL and Associates of IRSPL in the covered securities, as on the date of publishing of this report

Research Analyst or his/her relative(s) or InCred Research Services Private Limited or our associate may have any financial interest in the subject company.

Research Analyst or his/her relatives or InCred Research Services Limited or our associates may have actual or beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report.

Research Analyst or his/her relative or InCred Research Services Private Limited or our associate entities may have any other material conflict of interest at the time of publication of the Research Report.

In the past 12 months, IRSPL or any of its associates may have:

- a) Received any compensation/other benefits from the subject company,
- b) Managed or co-managed public offering of securities for the subject company,
- c) Received compensation for investment banking or merchant banking or brokerage services from the subject company,
- d) Received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company

We or our associates may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.

Research Analyst may have served as director, officer, or employee in the subject company.

We or our research analyst may engage in market-making activity of the subject company.

Analyst declaration

- The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously in an unbiased manner.
- No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report or based on any specific investment banking transaction.
- The analyst(s) has(have) not had any serious disciplinary action taken against him/her(them).
- The analyst, strategist, or economist does not have any material conflict of interest at the time of publication of this report.
- The analyst(s) has(have) received compensation based upon various factors, including quality, accuracy and value of research, overall firm performance, client feedback and competitive factors.

IRSPL and/or its affiliates and/or its Directors/employees may own or have positions in securities of the company(ies) covered in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities.

IRSPL and/or its affiliates and/or its Directors/employees may do and seek to do business with the company(ies) covered in this research report and may from time to time (a) buy/sell the securities covered in this report, from time to time and/or (b) act as market maker or have assumed an underwriting commitment in securities of such company(ies), and/or (c) may sell them to or buy them from customers on a principal basis and/or (d) may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) and/or (e) solicit such investment, advisory or other services from any entity mentioned in this report and/or (f) act as a lender/borrower to such company and may earn brokerage or other compensation. However, Analysts are forbidden to acquire, on their own account or hold securities (physical or uncertificated, including derivatives) of companies in respect of which they are compiling and producing financial recommendations or in the result of which they play a key part.

Registration granted by SEBI, membership of a SEBI recognized supervisory body (if any) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

InCred Research Services Private Limited**Research Analyst SEBI Registration Number: INH000011024**

Registered Office: Unit No 1203, 12th Floor, B Wing, The Capital, C-70, G Block, BKC, Bandra (E), Mumbai – 400051

Phone: +91-22-6844-6100

Corporate Office: 05th floor, Laxmi Towers, Plot No. C-25, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai – 400051

Phone: +91-22-4161-1500

Name of the Compliance Officer: Mr. Mayuresh Kadam

Email ID: compliance@incredrerearch.com, Phone No: +91-22-41611539

For any queries or grievances, you may contact the Grievance Officer.

Name of the Grievance Officer: Mr. Rajarshi Maitra

Phone no. +91-022-41611546

Email ID: rajarshi.maitra@incredrerearch.com

CIN: U74999MH2016PTC287535

Recommendation Framework**Stock Ratings**

Definition:	
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:	
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:	
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.