

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
 Rs2,656,786m
 Average daily turnover: US\$31.8m
 Rs2816.6m
 Current shares o/s: 959.2m
 Free float: 47.4%

*Source: Bloomberg

Key changes in this note

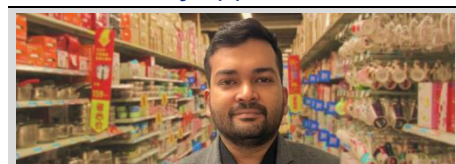
- Raise target price to Rs2,600.



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

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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 (%)	1H FY25	1H FY26	(%)
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)	1H FY25	1H FY26	(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

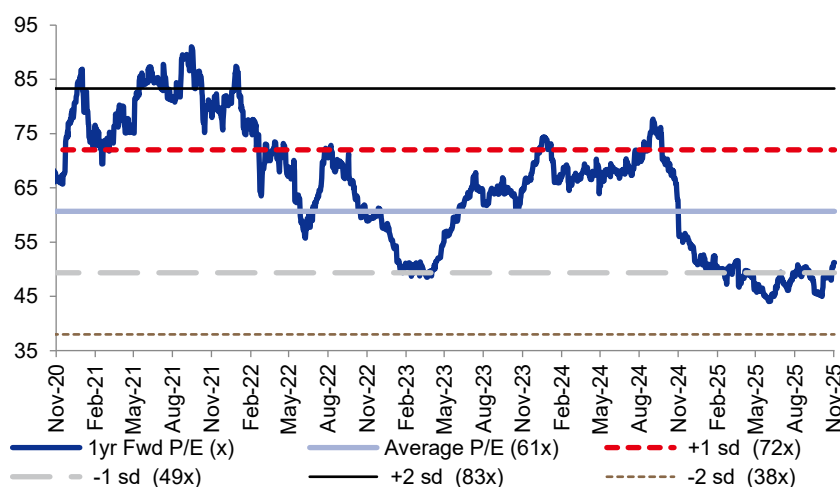
SOURCE: INCRED RESEARCH, COMPANY REPORTS

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

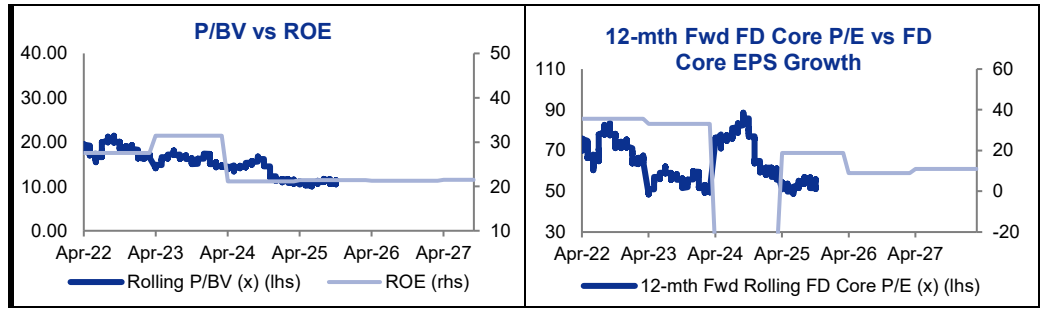
SOURCE: INCRED RESEARCH, COMPANY REPORTS

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-EI)	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

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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.