

July 30, 2025

Competition pressure persists; volumes to grow in single digit

About the stock: Asian Paints is India's leading paint and décor company and ranks among the top 10 Decorative Coating companies globally. It has 27 in-house painting manufacturing facilities worldwide with installed capacity of 1.85mn kl/per annum. The company has retail touchpoints of 1.7 lakh retail touchpoints across India. The company's product range includes decorative and industrial paints that serves diverse requirements of interior and exterior wall application.

Q1FY26 performance: Consolidated revenues stood flat at Rs.8,938.6 crore. Decorative paint business registered a volume growth of 3.9% while revenues declined by 1.2%. Consolidated gross margins slightly improved by 15 bps YoY to 42.7% with raw material deflation witnessed at 1%. Higher marketing expenses led to 70bps YoY decline in EBITDA margins to 18.2% (Up sequentially by 100 bps QoQ). Higher Depreciation charges led to 6% YoY decline in the adjusted PAT to Rs.1117.1 crore. Decline in PAT was partially offset by higher other income.

Investment Rationale:

- **Decorative paints volume and value to grow in single digit:** Decorative paint business registered a volume growth of 3.9% in Q1FY26; sequentially improved compared to 1.8% in Q4FY25. However, the same was lower compared with low base of 1.8% volume growth achieved in Q1FY25 (affected by general elections and heatwave). Management has witnessed some green shoots in the urban demand. However, the sustenance of same will be key from material recovery in the volume growth in the quarters ahead. Q1FY26 volume growth was affected by lower demand in the month of June,25 due to unseasonal rains. Demand trend in July,25 remained similar Q1FY26. Further early festive in Q3FY25 compared to last year will have lesser retail days, which will affect the decorative paints sales volume. The competitive intensity continues to remain high and the company is trying to mitigate the competitive pressure through relevant innovations (~14% of revenues) in the product portfolio. Management has guided for single digit revenue and value growth in the coming quarter. Adverse mix and discounting will maintain the gap between volume and value growth in the quarters ahead.
- **EBIDTA margins to remain at lower band of 18-20% in the near term:** APL's EBIDTA margins were down by 70bps YoY to 18.2% due to lower volume growth and higher marketing and promotional spends. The recent levy of anti-dumping on TIO2 (key material) from China will impact have 1-2.5% impact on the raw material prices, partially offset by deflation in other material cost (including crude prices). Management expects gross margins to remain at 43%, while EBIDTA margins guidance of 18-20% in the near term. Benefit of investment in backward integration will start flowing from H1FY27, which will provide some support o the margins. However, any substantial recovery in the volume along with stable input prices will be key for margin improvement in the coming years.

Rating and Target Price

In view of muted earning growth visibility in the near term, we recommend **Hold** with an unchanged price target of Rs2,475 (valuing at 49x FY27E EPS of Rs50.7).

Key Financial Summary

Key Financials (₹ Crore)	FY23	FY24	FY25	2 year CAGR (FY23-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Revenues	34488.6	35494.7	33905.6	-0.8	34922.5	38309.6	6.3
EBIDTA	6259.8	7585.0	6006.2	-2.0	6327.2	7028.2	8.2
EBIDTA Margins(%)	18.2	21.4	17.7		18.1	18.3	
Adjusted PAT	4195.3	5557.7	3709.7	-6.0	4325.8	4864.7	14.5
EPS (Rs.)	43.7	57.9	38.7		45.1	50.7	
PE (x)	54.4	41.5	57.8		53.3	47.4	
EV to EBIDTA (x)	36.9	30.5	38.5		36.2	32.5	
RoE (%)	28.4	32.0	20.9		21.8	23.0	
RoCE (%)	20.6	21.6	15.2		15.9	17.2	

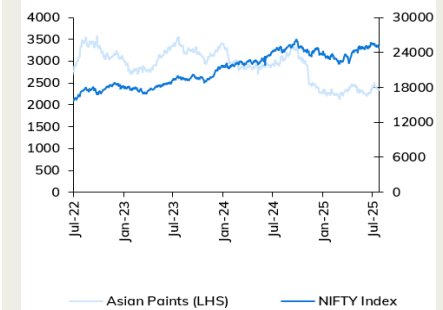
Source: Company, ICICI Direct Research

**Particulars**

Particular	Amount
Market Capitalisation (₹ crore)	2,30,400
Debt (FY25) - ₹ crore	5,112
Cash (FY25) - ₹ crore	4,011
EV (Rs crore)	2,31,501
52 week H/L (₹)	3,394 / 2,125
Equity capital (₹ crore)	95.9
Face value (₹)	1

Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoters	52.6	52.6	52.6	52.6
FII	15.3	13.6	12.2	11.9
DII	13.1	14.0	15.5	21.0
Others	19.0	19.8	19.6	14.5

Price Chart**Key risks**

- Sustained high competition from new entrant might put pressure on margins.
- Significant increase in the raw material prices to impact gross margins.
- Demand slowdown in the urban market would continue to impact decorative paints volume growth.

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Q1FY26 – Key Performance Highlights

- Consolidated revenues remained flat YoY at Rs.8938.6cr. Decorative paint business volumes grew by 3.9% improving sequentially (from 1.8% in Q4FY25) while revenues declined by 1.2% YoY. Industrial business remained in positive growth trajectory thereby partially offsetting the overall decline.
- Gross Margins improved by 15bps to 42.7%. Improvement in gross margins is attributed to 1% deflation in raw material cost coupled with better sourcing and other efficiencies while discounting remained at higher levels. EBITDA margins declined by 70bps YoY to 18.2% which remained in the guided range. EBITDA margins were impacted by higher marketing spends in Q1FY26.
- The volume-value gap stood at negative 5% in Q1FY26 due to adverse mix with economy emulsions witnessing strong demand while luxury segment witnessed lower traction due to downtrading. Further rebate/discounts availed to the consumers had an impact on the realisation during the quarter. Industrial paints growth stood ahead of decorative paints. All these factors had an impact on the overall mix.
- International business revenues grew by 8.4% in INR terms (17.5% YoY CC terms) led by strong performance in Middle East, Asia and Egypt. African business was impacted by currency devaluation in Ethiopia leading to 6.8% YoY decline in revenues to Rs.137cr. Middle East and Asia delivered strong double-digit revenue growth of 11.4% and 15.3% respectively. Revenues for Middle East and Asia stood at Rs.283cr and Rs.294cr in Q1FY26. South Pacific grew by 2.9% YoY to Rs.36cr.
- Adjusted PAT declined by 6% YoY to Rs.1117.1cr led by higher depreciation. The PAT decline was partially offset by higher other income.

Q1FY26 – other key business highlights

- Home Décor** – The segment witnessed 5.4% YoY decline in revenues to Rs.2222cr due to subdued spending by retail consumers. Overall demand conditions weighed on the performance of individual segments such as Kitchen which witnessed 2.3% YoY decline in revenues to Rs.98.1cr while losses widened to Rs.9cr in Q1FY26 compared to Rs.3cr in Q1FY25. Bath declined by 5% YoY to Rs.89cr due to similar conditions while loss remained capped at Rs.2cr. Slower Demand coupled with BIS norms impacted White Teak revenues which declined by 32% YoY to Rs.20.2cr while the same was offset by 32% YoY revenue growth in Weatherseal business led by newer launches and expanded reach in the market.
- Industrial Business** grew by 8.8% YoY led by growth in PPGAP. PPGAP witnessed traction from Automobile and General industrial segment growing by 11.1% YoY to Rs.574.5cr. Increased market investments and competitive pressures impacted margins which stood at 16.9% declining by ~230bps. Protective Coatings was impacted by early monsoon due to which APPPG recorded modest growth of 4.8% YoY to Rs.307cr. Margins were impacted by ~210bps due to pricing measures taken to tackle market conditions.

Q1FY26 – Earnings Call highlights

- Demand and Industry Outlook**
 - The company witnessed green shoots in urban market with uptick in demand. Sequential improvement in Demand was witnessed in Tier 1,2 cities as well as Tier 3 and 4 cities.
 - Recent announcement of layoffs in IT sector might have some impact on the new home purchases in certain markets, which might have impact on new home painting. Re-painting demand is unlikely to have any impact of same.

- Demand was decent in the economy emulsions and lower priced products. Luxury emulsions witnessed weak demand attributed to possible downtrading by consumers. Regionally, North west and North East India continue to show decent demand while South India demand remains subdued.
- June remained a dampener due to early monsoon. July continued to witness demand trends in-line with June due to heavy rainfalls. Early festivals will impact the sales in Q3 due to lesser retail days in October. September might witness jump in sales if monsoon remains muted or witness early withdrawal.
- Better Monsoon to aid rural growth which will flow through to better demand for the company while Lower inflation coupled with visible green shoots in Urban areas are initial signs of recovery ahead.
- Competitive intensity remains intense and the management is planning to tackle the same using innovation as a tool to deliver differentiated value proposition to consumers and also adapting to regionalization to drive demand in specific pockets. New product contributed 14% to the overall revenues while distribution network stood at 1.7L outlets.
- Volume, Value and Margin Guidance
 - Gross Margin remains stable due to easing of raw material prices. Deflation of 1% witnessed in raw material in Q1. Gross margins to remain in the similar range of ~43% in the quarters ahead.
 - EBITDA Margin guidance was retained at 18-20%. Higher Marketing spends will continue ahead with focus on regionalization and segmental growth.
 - Volume and Value gap to remain in the similar range. The management guided for Single digit volume and value growth to remain in quarters ahead.
- Raw Material Pricing
 - Raw material price deflation in Q1FY26 was one 1% due to decrease in the prices of crude and crude derivatives.
 - The recent levy of anti-dumping on TIO2 (key material) from China will impact the raw material pricing in Q2. RM cost likely to be impacted by 1-2.5% to be partially offset by deflation in other material cost (including crude prices).
- Capex
 - The company is on track to achieve the guided capex of Rs.700crs in FY26. Currently, the company has spent ~Rs.100cr out of the guided capex.
 - White Cement should start soon and will start benefitting from Q3FY26.
 - VAM VAE plant is progressing as per the said timelines. Partial completion in April-May 2026 as guided earlier and the benefits of the same should start flowing from Q1 or Q2FY27.
- Other Businesses, International Business and Regional demand
 - Evident Slowdown across Home décor business led by retail demand slowdown
 - In International business, Sri Lanka, Nepal, UAE and Egypt remain strong lever of growth. Ethiopia impacted by the currency devaluation.

Revision in earnings estimates

We have broadly maintained our earnings estimates for FY26 and FY27 in view muted demand across the paint industry and persisting slowdown in retail demand. We expect EBIDTA margins to remain at the lower end of guided band of 18-20%.

Exhibit 1: Changes in headline estimates

(₹ crore)	FY26E			FY27E		
	Old	New	% Chg	Old	New	% Chg
Net Revenues	35330.7	34922.5	-1.2	39061.2	38309.6	-1.9
EBIDTA	6329.0	6327.2	0.0	7052.3	7028.2	-0.3
EBIDTA margin (%)	17.9	18.1		18.1	18.3	
PAT	4327.2	4325.8	0.0	4883.3	4864.7	-0.4

Source: Company, ICICI Direct Research

Exhibit 2: Key operating assumptions

(Year-end March)	FY24	FY25	FY26E	FY27E
Standalone decorative paints	29931.1	28447.2	28676.0	31151.0
yoy %	2.8	-5.0	0.8	8.6
Decorative paint (volume growth %)	10.0	3.0	6.4	9.5
Home décor				
Kitchen	393.6	393.7	406.0	466.9
yoy %	-3.1	0.0	3.1	15.0
Bath	340.2	356.5	410.0	471.5
yoy %	-20.0	4.8	15.0	15.0
WhiteTeak	133.5	106.8	103.4	124.6
yoy %	23.0	-20.0	-3.2	20.5
Weatherseal	51.7	52.7	64.0	74.5
yoy %	110.2	1.9	21.4	16.4
International	3076.1	3119.0	3445.0	3997.6
yoy %	-1.2	1.4	10.5	16.0
Subsidiaries				
PPGAP	2014.6	2136.5	2366.3	2650.3
yoy %	10.3	6.1	10.8	12.0
APPPG	1146.0	1192.7	1269.9	1396.9
yoy %	12.6	4.1	6.5	10.0
Total revenues	35494.7	33905.6	34922.5	38309.6
yoy %	2.9	-4.5	3.0	9.7

Source: Company, ICICI Direct Research

Exhibit 3: Q1FY26 Standalone result snapshot (₹ crore)

Particulars	Q1FY26	Q1FY25	y-o-y (%)	Q4FY25	q-o-q (%)
Total Revenue	7868.5	7975.6	-1.3	7192.4	9.4
Raw Material Cost	4460.2	4546.8	-1.9	3940.8	13.2
Employee Cost	554.5	533.9	3.9	481.1	15.3
Other Expenses	1333.7	1299.0	2.7	1446.3	-7.8
Total Operating Cost	6348.4	6379.7	-0.5	5868.2	8.2
Operating Profit	1520.0	1595.9	-4.8	1324.2	14.8
Other Income	247.7	224.5	10.3	138.0	79.4
Interest & Other Financial Cost	30.3	32.7	-7.6	34.0	-11.1
Depreciation	269.3	198.3	35.8	269.4	0.0
Profit Before Tax	1468.2	1589.3	-7.6	1158.8	26.7
Tax Expense	368.5	400.1	-7.9	331.5	11.2
Adjusted PAT before MI	1099.6	1189.2	-7.5	827.3	32.9
Exceptional Items	0.0	0.0	-	133.1	-
Reported PAT	1099.6	1189.2	-7.5	694.3	58.4
Adj. EPS (Rs)	11.5	12.4	-7.5	8.6	32.9
Margins	Q1FY26	Q1FY25	bps	Q4FY25	bps
GPM (%)	43.3	43.0	32	45.2	-189
OPM (%)	19.3	20.0	-69	18.4	91

Source: Company, ICICI Direct Research

Exhibit 4: Q1FY26 Consolidated result snapshot (₹ crore)

Particulars	Q1FY26	Q1FY25	y-o-y (%)	Q4FY25	q-o-q (%)
Total Revenue	8,938.6	8,969.7	-0.3	8,358.9	6.9
Raw Material Cost	5,123.1	5,154.6	-0.6	4,686.7	9.3
Employee Cost	703.0	674.2	4.3	631.5	11.3
Other Expenses	1,487.6	1,447.2	2.8	1,604.7	-7.3
Total Operating Cost	7,313.6	7,276.0	0.5	6,922.9	5.6
Operating Profit	1,625.0	1,693.8	-4.1	1,436.0	13.2
Other Income	192.8	156.2	23.4	99.9	93.1
Interest & Other Financial Cost	44.5	55.4	-19.6	52.8	-15.7
Adjusted PAT	1,080.7	1,150.1	-6.0	818.0	32.1
Share of profit from associates	36.3	36.7	-1.1	23.1	57.6
Reported PAT	1117.1	1186.8	-5.9	700.6	59.4
Adj. EPS (Rs)	11.6	12.4	-5.9	8.8	32.8
Margins	Q1FY26	Q1FY25	bps	Q4FY25	bps
GPM (%)	42.7	42.5	15	43.9	-125
OPM (%)	18.2	18.9	-70	17.2	100
NPM (%)	12.5	13.2	-73	8.4	412
Tax rate (%)	26.6	26.6	0	30.8	-419

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 5: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Total Operating Income	35494.7	33905.6	34922.5	38309.6
Growth (%)	2.9	-4.5	3.0	9.7
Raw Material Expenses	20090.2	19515.8	20132.8	22162.1
Gross Profit	15404.5	14389.8	14789.7	16147.5
Gross Profit Margins (%)	43.4	42.4	42.4	42.2
Employee Expenses	2326.2	2597.2	2805.0	3085.5
Advertisement & promotional expenses	1242.3	1457.9	1466.7	1609.0
Other Expenditure	4251.0	4328.5	4190.7	4424.8
Total Operating Expenditure	27909.8	27899.4	28595.3	31281.4
EBITDA	7585.0	6006.2	6327.2	7028.2
Growth (%)	21.2	-20.8	5.3	11.1
Interest	205.2	227.0	186.2	151.5
Depreciation	853.0	1026.3	1171.5	1255.5
Other Income	688.0	572.6	615.9	681.3
PBT	7214.8	5325.5	5585.4	6302.5
Less Tax	1790.1	1482.8	1405.8	1586.3
Adjusted PAT (before exceptional item)	5424.7	3842.7	4179.5	4716.2
Reported PAT	5557.7	3709.7	4325.8	4864.7
EPS (Adjusted)	57.9	38.7	45.1	50.7

Source: Company, ICICI Direct Research

Exhibit 7: Balance sheet ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Equity Capital	95.9	95.9	95.9	95.9
Reserve and Surplus	18632.4	19303.9	20272.5	21780.0
Total Shareholders funds	18728.3	19399.8	20368.4	21875.9
Minority Interest	695.4	659.2	805.5	954.1
Total Debt	5390.4	5112.3	3650.0	3650.0
Deferred Tax Liability	352.2	404.9	445.4	489.9
Long-Term Provisions	222.6	257.8	283.6	311.9
Other Non Current Liabilities	34.5	45.6	45.6	45.6
Total Liabilities	25423.3	25879.6	25598.5	27327.4
Gross Block - Fixed Assets	8251.9	11103.0	12103.0	13103.0
Accumulated Depreciation	3805.7	4315.4	5486.9	6742.4
Net Block	4446.2	6787.6	6616.1	6360.6
Capital WIP	2698.4	1254.5	800.0	400.0
Leased Assets	1856.3	1843.7	1843.7	1843.7
Fixed Assets	9000.8	9885.8	9259.8	8604.3
Goodwill & Other intangible assets	844.2	588.8	509.6	509.6
Investments	1384.6	1479.8	1100.0	1400.0
Other non-Current Assets	1157.5	1432.7	1576.0	1733.6
Inventory	5923.4	6719.3	6506.1	7137.1
Debtors	4889.1	4322.4	4496.9	4933.0
Current Investments	3203.4	3245.0	3650.0	4750.0
Other Current Assets	785.8	773.7	851.1	936.2
Loans & Advances	1651.4	1158.1	1331.8	1531.6
Cash	1083.9	765.9	1119.0	1073.7
Total Current Assets	17537.0	16984.3	17954.9	20361.6
Creditors	3831.3	3848.0	4136.9	4553.9
Provisions	62.5	67.2	73.9	81.3
Other Current Liabilities	607.0	576.7	591.1	646.6
Total Current Liabilities	4500.8	4491.8	4801.8	5281.7
Net Current Assets	13036.2	12492.5	13153.1	15080.0
Application of Funds	25423.3	25879.6	25598.5	27327.4

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit/(Loss) after taxation	4869.7	3410.8	3710.0	4183.5
Add: Depreciation & Amort.	853.0	1026.3	1171.5	1255.5
Other income	688.0	572.6	615.9	681.3
Changes in the working cap.	-344.5	31.1	-18.3	-999.6
CF from Operating activities	6066.2	5040.9	5479.0	5120.6
(Purchase)/Sale of Fixed Assets	-3907.9	-1655.9	-466.3	-600.0
Investments & Bank balances	-326.3	-136.7	-25.3	-1400.0
Others	-4.7	7.2	-1.6	-1.8
CF from Investing activities	-4238.9	-1785.5	-493.2	-2001.8
(inc)/Dec in Loan	975.4	-278.1	-1462.3	0.0
Change in equity & reserves	372.5	45.3	0.0	0.0
Dividend paid	-3194.1	-3357.2	-3357.2	-3357.2
Other	259.1	16.6	186.8	193.1
CF from Financing activities	-1587.2	-3573.4	-4632.7	-3164.1
Net Cash Flow	240.1	-318.1	353.1	-45.3
Cash and Cash Equivalent (opening)	843.8	1083.9	765.9	1119.0
Cash	1083.9	765.9	1119.0	1073.7
Free Cash Flow	2158.2	3384.9	5012.7	4520.6

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (₹)				
Adjusted EPS	57.9	41.5	45.1	50.7
Cash EPS	66.8	52.2	57.3	63.8
BV per share	195.2	202.2	212.3	228.1
Cash per Share	44.7	41.8	49.7	60.7
Dividend per share	33.3	35.0	35.0	35.0
Operating Ratios (%)				
Gross Profit Margins	43.4	42.4	42.4	42.2
EBITDA margins (%)	21.4	17.7	18.1	18.3
(Adjusted) PAT Margins	15.7	11.7	12.4	12.7
Cash Conversion Cycle	41.6	46.9	40.0	40.0
Fixed asset turnover (x)	3.3	2.6	2.7	3.1
Return Ratios (%)				
RoE	32.0	20.9	21.8	23.0
RoCE	21.6	15.2	15.9	17.2
Valuation Ratios (x)				
P/E	41.5	57.8	53.3	47.4
EV / EBITDA	30.5	38.5	36.2	32.5
EV / Net Sales	6.5	6.8	6.6	6.0
Market Cap / Sales	6.5	6.8	6.6	6.0
Price to Book Value	12.3	11.9	11.3	10.5
Solvency Ratios				
Debt / EBITDA	0.7	0.8	0.5	0.5
Debt / Equity	0.3	0.3	0.2	0.2

Source: Company, ICICI Direct Research

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