

November 13, 2025

Strong Q2 with double digit volume growth; Upgraded to Buy

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 26 in-house painting manufacturing facilities worldwide with installed capacity of 2.9mn 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.

Q2FY26 performance: Consolidated revenues grew by 6.3% YoY Rs.8,531.3cr. Decorative paint business registered a volume growth of 11% while revenues grew by 6% YoY. Consolidated gross margins improved by 242 bps YoY to 43.2% while EBITDA margins improved by 218bps YoY to 17.6%. EBITDA grew by 21.3% YoY to Rs.1503.4cr. This coupled with lower interest cost and higher other income led to 23.1% YoY growth in the adjusted PAT to Rs.979.9cr.

Investment Rationale:

- Decorative paints volume growth to remain in double digit in H2FY26:**
 APL's decorative paint business volume growth improved to 10.9% in Q2FY26 vs. 3.9% volume growth in Q1FY26. The company has attributed it to improved consumer sentiments and supportive policy actions of the government. However, 10.9% volume growth is ahead of 3-4% industry growth indicating market share gains during the quarter. APL has undertaken several initiatives such as enhanced brand building activities, sustain innovation in the product portfolio, improving relationship with dealers/retailers by focusing on improving their return ratios and improving penetration in B2B/industrial segment. Innovation contribution improved by 300bps on YoY basis to 15%; indicating of 35% YoY growth on back of strong traction. Management expects double digit volume growth momentum to sustain in H2FY26 on back of improved sales of external paint products, festive demand and increased demand from real estate and industrial paints. It expects volume and value growth gap to be around 4-5%. Hence overall value growth will be in mid-single digit in H2FY26. This gap will gradually reduce with better mix driven by higher premium/luxury product sales.
- EBIDTA margins to improve in H2FY26 on improving volume growth:**
 APL's gross margins improved by 242bps YoY to 43.2 (improved by 75bps QoQ) in Q2FY26. This was on back of raw material deflation of 2%+ in H1FY26. EBIDTA margins stood at the lower end of the guided range of 17-18% in H1FY26. We believe benign input prices and receding competitive promotional activities, the gross margins improvement will much better in H2FY26. Though the company will be spending heavily on advertisement and brand building activities, improved volume growth will help EBIDTA margins to come in better compared to H1FY6 (might hover around upper end of guided brand of 18-20%).

Rating and Target Price: We expect APL's revenues and PAT to grow at CAGR of 9% and 14% over FY25-28E with upward revision in volume growth trajectory for the coming years. Stock is trading at 60.7x and 54x its FY26E and FY27E EPS, which is at discount to its 5 years average multiple of 67x. In view better growth visibility, **we upgrade our rating to Buy with revised price target of 3,330 (valuing at 58x its average FY27-28E EPS of Rs57.4).**

Key Financial Summary

Key Financials (₹ Crore)	FY23	FY24	FY25	2 year CAGR (FY23-25)	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
Revenues	34488.6	35494.7	33905.6	-0.8	35987.9	39237.2	43799.5	8.9
EBIDTA	6259.8	7585.0	6006.2	-2.0	6587.8	7312.3	8413.9	11.9
EBIDTA Margins(%)	18.2	21.4	17.7		18.3	18.6	19.2	
Adjusted PAT	4137.6	5424.7	3842.7	-3.6	4377.8	4931.5	5746.3	14.4
EPS (Rs.)	43.7	57.9	38.7		47.2	53.0	61.8	
PE (x)	65.0	49.5	69.1		60.7	54.1	46.4	
EV to EBIDTA (x)	44.1	36.4	46.0		41.6	37.3	32.3	
RoE (%)	28.4	32.0	20.9		22.7	23.7	25.4	
RoCE (%)	20.6	21.6	15.2		16.5	17.7	19.2	

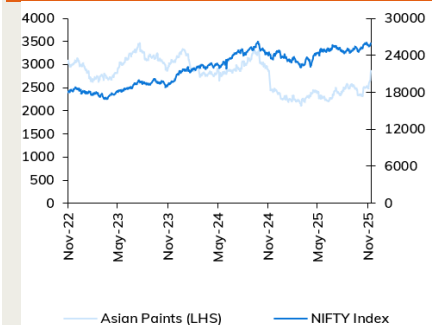
Source: Company, ICICI Direct Research

**Particulars**

Particular	Amount
Market Capitalisation (₹ crore)	2,75,094
Debt (FY25) - ₹ crore	5,112
Cash (FY25) - ₹ crore	4,011
EV (₹ crore)	2,76,195
52 week H/L (₹)	2898 / 2,125
Equity capital (₹ crore)	95.9
Face value (₹)	1

Shareholding pattern

	Dec-24	Mar-25	Jun-25	Sep-25
Promoters	52.6	52.6	52.6	52.6
FII	13.6	12.2	11.9	11.6
DII	14.0	15.5	21.0	21.5
Others	19.8	19.6	14.5	14.2

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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Q2FY26 – Key Performance Highlights

- Consolidated revenues grew by 6.3% YoY to Rs.8531.3cr. Revenue growth was driven by 7.5% YoY growth in standalone decorative paints business and 10% YoY growth in the international business.
- Domestic decorative paint business volumes reported 10.9% YoY growth while revenues grew by 6% YoY led by improved consumer sentiments due to early festive and policy revamps. Improved performance in Prelux volumes also aided the growth. Industrial business grew by 13% YoY to Rs.892.6cr in Q2FY26 aided by automobile and protective coatings.
- Gross Margins improved by 242bps YoY to 43.2%. Improvement in gross margins is attributed to 1.6% deflation in raw material cost coupled with better sourcing and other efficiencies. EBITDA margins improved by 218bps YoY to 17.6%. EBITDA margins witnessed improvement led by various cost efficiency measures taken by the company. EBITDA stood at Rs.1503.4cr growing by 21% YoY.
- The volume-value gap stood at 5% in Q2FY26 due to adverse mix and higher rebate/discounts availed to the consumers.
- International business revenues grew by 9.9% in INR terms (10.6% YoY CC terms) led by Nepal, Sri Lanka and UAE. The focus on prelux and waterproofing aided the growth in the international business. African business revenues remained flat at Rs.152cr. Middle East reported 2% revenue growth to Rs.299cr and Asia delivered strong double-digit revenue growth of 17% to Rs.364cr. South Pacific revenues declined by 9% YoY to Rs.41cr. The improvement in profitability is not comparable due to divestment of loss-making business in Indonesia. The profitability was also aided by material cost deflation. PBT for international business stood at Rs.76cr up by 120% YoY.
- Adjusted PAT grew by 23% YoY to Rs.979.9cr led by better EBITDA, lower interest cost and higher other income.

Q2FY26 – other key business highlights

- **Home Décor** – The segment witnessed 3.7% YoY decline in revenues to Rs.224.1cr. Overall demand conditions weighed on the performance of individual segments such as Kitchen which witnessed 7.2% YoY decline in revenues to Rs.97.7cr while losses declined to Rs.4cr in Q2FY26 compared to Rs.5cr in Q2FY25. Bath declined by 4.6% YoY to Rs.79.3cr due to similar conditions while loss declined to Rs.4cr vs Rs.7cr in Q2FY25. White Teak revenues which declined by 15% YoY to Rs.26.4cr while the same was offset by 57% YoY revenue growth in Weatherseal business to Rs.20.7cr in Q2FY26.
- **Industrial Business** grew by 13% YoY led by all round performance aided by PPGAP and APPPG to. PPGAP continued to be driven by strong traction from Automobile and General industrial segment growing by 13% YoY to Rs.600cr. PBT for PPGAP stood at Rs.103cr growing by 25%. Margin improved by 160bps YoY. Protective coatings led the growth in APPPG. APPPG grew by 10% YoY to Rs.292.6cr while PBT stood at Rs.26cr growing by 40% YoY. Margins stood at 8.9% improving by 190bps YoY.

Q2FY26 – Earnings Call highlights

- **Demand and Industry Outlook**
 - Near-term demand remains cautiously optimistic. Overall demand remains tepid but upcoming wedding seasons, good monsoon aiding rural income and festivals are likely to boost sentiments.
 - Improving demand from real estate sector, projects and large industries will drive B2B demand in the near term.
 - H2FY26 is expected to witness steady consumption trends due to wedding season and GST 2.0.

- The management reiterated that competitive intensity and macroeconomic uncertainty remain key monitorable.
- Industrial and International segments are expected to maintain strong momentum ahead.
- The decorative paint industry grew by 3-3.5% in H1FY26 amid weak demand environment and extended monsoons.
- Strong demand recovery in September due to early festive season. Momentum has continued in October as well.
- Volume, Value and Margin Guidance
 - The management guided for mid-single digit value growth with volume growth expected to be higher than value growth. Volume-Value gap to remain stable at 4-5%.
 - The volume-value gap is expected to persist in lieu of balanced portfolio approach catering to both premium and economy segments instead of prioritizing on channel mix.
 - The management retained the EBITDA margin guidance at 18-20%. Margins will be supported by stable raw materials, cost efficiencies and formulation gains. Continued marketing and innovation led investments are expected to cap the expansion in margins.
 - Backward integration projects (white cement plant and upcoming VAM VAE project) are expected to enhance cost efficiency.
- Drivers of double-digit volume growth
 - Double-digit volume growth was largely internally driven, despite sluggish industry trends.
 - Key enablers of volume growth were brand investments, innovation across product tiers, executional excellence and regional focus.
 - Brand spends were significantly ramped up with major brand building ATL campaigns.
 - The company leveraged major sporting events such as Asia Cup and India-England cricket series for strengthening reach.
 - The company focused on deepening the dealer relationships through better ROI driven programs and enhanced lead generation. It also offered better margins across differentiated products which enhanced the earnings of the retailers.
 - The company continued with core strategic pillar of regionalisation. It enabled localized packs, design elements and colour preferences to reflect each region to drive growth and earn market share. Tailored campaigns such in TN and Kerala were conducted to enhance reach.
 - Micro-marketing initiatives helped improve market penetration across urban and rural regions.
 - Premium and luxury categories are smaller but fast-growing, led by upgradation initiatives that move consumers from distempers to premium emulsions. Economy segment still remains the largest category in the industry.
 - New products contributed 15% of the revenues led by strong performance in waterproofing, smart-value emulsions and premium designer wood finishes.
 - Interior paints segment witnessed strong momentum while waterproofing continues to grow in double-digits.

- Other business performance
 - APL expanded its home décor foray to 73 Beautiful Home décor stores during the quarter.
 - It has also introduced new range of kitchen and wardrobes to renew customer interest and drive the footfalls.
 - The management reiterated its strategy to implement multiple initiatives in H2FY26 to revive the décor profitability and enhance synergy with the core paint segment.
 - Despite the short-term softness, the management is confident on its long-term commitment to scale up and become leading integrated décor player.
 - Industrial segment continued to witness strong traction led by manufacturing and infrastructure expansion along with consistent B2B service initiatives.
 - Despite the currency devaluation in Ethiopia, the international business continued to be resilient driven by Asia and Middle east.
 - Ex-Indonesia business, the international business grew by 10-11% YoY.
 - The management has highlighted the continued growth momentum in Asia and Middle East supported by localized premium products and stronger brand presence.
 - The management clarified that competitor-led “free grammage” schemes have limited long term impact as they compress retailer margins.

Revision in earnings estimates

We have increased our earnings estimates by ~5% each for FY26 and FY27 to factor in better-than-expected volume growth in Q2FY26 and higher than earlier expected volume and revenue growth in H2FY26.

Exhibit 1: Changes in headline estimates

(₹ crore)	FY26E			FY27E		
	Old	New	% Chg	Old	New	% Chg
Net Revenues	34922.5	35987.9	3.1	38309.6	39237.2	2.4
EBIDTA	6327.2	6587.8	4.1	7028.2	7312.3	4.0
EBIDTA margin (%)	18.1	18.3		18.3	18.6	
PAT	4325.8	4531.0	4.7	4864.7	5086.8	4.6

Source: Company, ICICI Direct Research

Exhibit 2: Key operating assumptions

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Standalone decorative paints	29931.1	28447.2	29662.7	31966.0	35429.3
yoy %	2.8	-5.0	4.3	7.8	10.8
Decorative paint (volume growth %)	10.0	3.0	8.5	9.6	10.3
Home décor					
Kitchen	393.6	393.7	392.4	451.3	519.0
yoy %	-3.1	0.0	-0.3	15.0	15.0
Bath	340.2	356.5	414.0	489.1	578.2
yoy %	-20.0	4.8	16.1	18.1	18.2
WhiteTeak	133.5	106.8	101.8	126.1	156.1
yoy %	23.0	-20.0	-4.7	23.8	23.9
Weatherseal	51.7	52.7	70.7	87.4	108.1
yoy %	110.2	1.9	34.1	23.7	23.7
International	3076.1	3119.0	3517.6	4082.0	4743.2
yoy %	-1.2	1.4	12.8	16.0	16.2
Joint Ventures (50:50)					
PPGAP	2014.6	2136.5	2379.0	2664.5	2984.2
yoy %	10.3	6.1	11.4	12.0	12.0
APPPG	1146.0	1192.7	1278.4	1406.2	1546.8
yoy %	12.6	4.1	7.2	10.0	10.0
Total revenues	35494.7	33905.6	35987.9	39237.2	43799.5
yoy %	2.9	-4.5	6.1	9.0	11.6

Source: Company, ICICI Direct Research

Exhibit 3: Q2FY26 Standalone result snapshot (₹ crore)

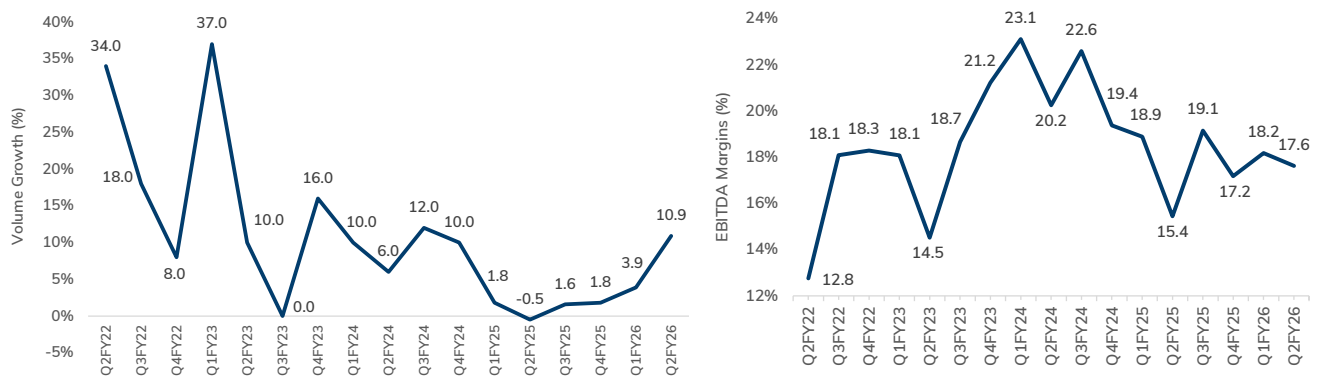
Particulars	Q2FY26	Q2FY25	y-o-y (%)	Q1FY26	q-o-q (%)
Total Revenue	7356.3	6868.4	7.1	7868.5	-6.5
Raw Material Cost	4129.5	4026.8	2.6	4460.2	-7.4
Employee Cost	533.4	511.4	4.3	554.5	-3.8
Other Expenses	1334.3	1208.0	10.5	1333.7	0.0
Total Operating Cost	5997.2	5746.2	4.4	6348.4	-5.5
Operating Profit	1359.1	1122.2	21.1	1520.0	-10.6
Other Income	232.0	181.6	27.8	247.7	-6.3
Interest & Other Financial Cost	29.7	39.0	-24.0	30.3	-1.9
Depreciation	273.5	207.3	31.9	269.3	1.6
Profit Before Tax	1287.9	1057.4	21.8	1468.2	-12.3
Tax Expense	368.5	295.2	24.8	368.5	0.0
Adjusted PAT before MI	919.4	762.2	20.6	1099.6	-16.4
Exceptional Items	0.0	159.9	-	0.0	-
Reported PAT	919.4	602.3	52.6	1099.6	-16.4
Adj. EPS (Rs)	9.6	7.9	20.6	11.5	-16.4
Margins	Q2FY26	Q2FY25	bps	Q1FY26	bps
GPM (%)	43.9	41.4	249	43.3	55
OPM (%)	18.5	16.3	214	19.3	-84

Source: Company, ICICI Direct Research

Exhibit 4: Q2FY26 Consolidated result snapshot (₹ crore)

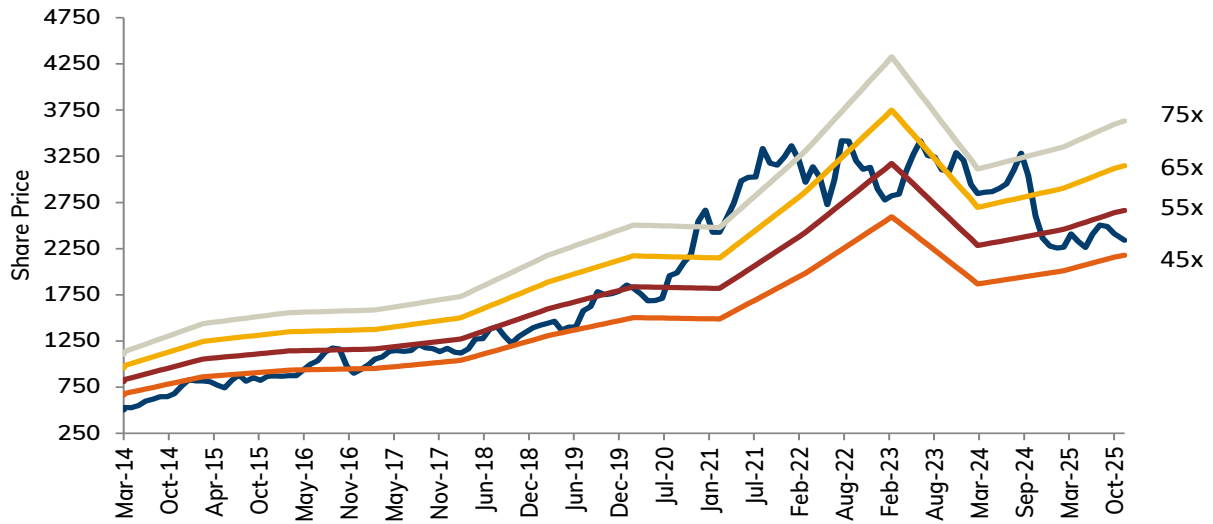
Particulars	Q2FY26	Q2FY25	y-o-y (%)	Q1FY26	q-o-q (%)
Total Revenue	8,531.3	8,027.5	6.3	8,938.6	-4.6
Raw Material Cost	4,846.3	4,754.3	1.9	5,123.1	-5.4
Employee Cost	686.2	676.5	1.4	703.0	-2.4
Other Expenses	1,495.3	1,357.2	10.2	1,487.6	0.5
Total Operating Cost	7,027.9	6,788.0	3.5	7,313.6	-3.9
Operating Profit	1,503.4	1,239.5	21.3	1,625.0	-7.5
Other Income	198.6	173.6	14.5	192.8	3.0
Interest & Other Financial Cost	43.9	63.0	-30.4	44.5	-1.4
Depreciation	304.9	242.0	26.0	300.9	1.3
Profit Before Tax	1,353.2	1,108.1	22.1	1,472.4	-8.1
Tax Expense	373.3	312.2	19.6	391.7	-4.7
Adjusted PAT	979.9	795.8	23.1	1,080.7	-9.3
Share of profit from associates	38.3	31.1	23.1	36.3	5.5
Reported PAT	1,018.2	693.7	46.8	1,117.1	-8.8
Adj. EPS (Rs)	10.6	8.6	23.1	11.6	-8.8
Margins	Q2FY26	Q2FY25	bps	Q1FY26	bps
GPM (%)	43.2	40.8	242	42.7	51
OPM (%)	17.6	15.4	218	18.2	-56
NPM (%)	11.9	8.6	329	12.5	-56
Tax rate (%)	27.6	28.2	-59	26.6	99

Source: Company, ICICI Direct Research

Exhibit 5: Trend in Volume growth and EBITDA Margin


Source: Company, ICICI Direct Research

Exhibit 6: Asian Paints – 1yr forward PE Band



Source: Company, ICICI Direct Research

Financial Summary

Exhibit 7: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Total Operating Income	35494.7	33905.6	35987.9	39237.2	43799.5
Growth (%)	2.9	-4.5	6.1	9.0	11.6
Raw Material Expenses	20090.2	19515.8	20333.1	22070.9	24462.0
Gross Profit	15404.5	14389.8	15654.7	17166.3	19337.5
Gross Profit Margins (%)	43.4	42.4	43.5	43.8	44.2
Employee Expenses	2326.2	2597.2	2805.0	3085.5	3455.8
Advertisement & promotional expenses	1242.3	1457.9	1799.4	1961.9	2102.4
Other Expenditure	4251.0	4328.5	4462.5	4806.6	5365.4
Total Operating Expenditure	27909.8	27899.4	29400.0	31924.8	35385.6
EBITDA	7585.0	6006.2	6587.8	7312.3	8413.9
Growth (%)	21.2	-20.8	9.7	11.0	15.1
Interest	205.2	227.0	181.8	147.8	141.8
Depreciation	853.0	1026.3	1171.5	1255.5	1389.9
Other Income	688.0	572.6	615.9	681.3	796.9
PBT	7214.8	5325.5	5850.3	6590.2	7679.1
Less Tax	1790.1	1482.8	1472.5	1658.8	1932.8
Adjusted PAT (before exceptional item)	5424.7	3842.7	4377.8	4931.5	5746.3
Reported PAT	5557.7	3709.7	4531.0	5086.8	5927.3
EPS (Adjusted)	57.9	38.7	47.2	53.0	61.8

Source: Company, ICICI Direct Research

Exhibit 8: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Profit/(Loss) after taxation	4869.7	3410.8	3915.2	4405.6	5130.4
Add: Depreciation & Amort.	853.0	1026.3	1171.5	1255.5	1389.9
Other income	688.0	572.6	615.9	681.3	796.9
Changes in the working cap.	-344.5	31.1	-296.2	-1019.5	-1291.1
CF from Operating activities	6066.2	5040.9	5406.4	5322.9	6026.1
(Purchase)/Sale of Fixed Assets	-3907.9	-1655.9	-466.3	-600.0	-1600.0
Investments & Bank balances	-326.3	-136.7	-25.3	-1400.0	-450.0
Others	-4.7	7.2	-1.6	-1.8	-2.0
CF from Investing activities	-4238.9	-1785.5	-493.2	-2001.8	-2052.0
(inc)/Dec in Loan	975.4	-278.1	-1462.3	0.0	-300.0
Change in equity & reserves	372.5	45.3	0.0	0.0	0.0
Dividend paid	-3194.1	-3357.2	-3357.2	-3357.2	-3836.8
Other	259.1	16.6	193.7	199.9	230.0
CF from Financing activities	-1587.2	-3573.4	-4625.7	-3157.3	-3906.8
Net Cash Flow	240.1	-318.1	287.4	163.8	67.3
Cash and Cash Equivalent (opening)	843.8	1083.9	765.9	1053.3	1217.1
Cash	1083.9	765.9	1053.3	1217.1	1284.4
Free Cash Flow	2158.2	3384.9	4940.0	4722.9	4426.1

Source: Company, ICICI Direct Research

Exhibit 9: Balance sheet ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Equity Capital	95.9	95.9	95.9	95.9	95.9
Reserve and Surplus	18632.4	19303.9	20477.7	22207.3	24297.8
Total Shareholders funds	18728.3	19399.8	20573.6	22303.3	24393.7
Minority Interest	695.4	659.2	812.5	967.8	1148.8
Total Debt	5390.4	5112.3	3650.0	3650.0	3350.0
Deferred Tax Liability	352.2	404.9	445.4	489.9	538.9
Long-Term Provisions	222.6	257.8	283.6	311.9	343.1
Other Non Current Liabilities	34.5	45.6	45.6	45.6	45.6
Total Liabilities	25423.3	25879.6	25810.6	27768.5	29820.1
Gross Block - Fixed Assets	8251.9	11103.0	12103.0	13103.0	14703.0
Accumulated Depreciation	3805.7	4315.4	5486.9	6742.4	8132.3
Net Block	4446.2	6787.6	6616.1	6360.6	6570.7
Capital WIP	2698.4	1254.5	800.0	400.0	400.0
Leased Assets	1856.3	1843.7	1843.7	1843.7	1843.7
Fixed Assets	9000.8	9885.8	9259.8	8604.3	8814.4
Goodwill & Other intangible assets	844.2	588.8	509.6	509.6	509.6
Investments	1384.6	1479.8	1100.0	1400.0	1600.0
Other non-Current Assets	1157.5	1432.7	1576.0	1733.6	1907.0
Inventory	5923.4	6719.3	6704.6	7309.9	8159.9
Debtors	4889.1	4322.4	4634.1	5052.5	5399.9
Current Investments	3203.4	3245.0	3650.0	4750.0	5000.0
Other Current Assets	785.8	773.7	851.1	936.2	1029.8
Loans & Advances	1651.4	1158.1	1331.8	1531.6	1761.3
Cash	1083.9	765.9	1053.3	1217.1	1284.4
Total Current Assets	17537.0	16984.3	18224.8	20797.2	22635.4
Creditors	3831.3	3848.0	4178.0	4535.1	4825.4
Provisions	62.5	67.2	73.9	81.3	89.4
Other Current Liabilities	607.0	576.7	607.7	659.9	731.4
Total Current Liabilities	4500.8	4491.8	4859.6	5276.2	5646.2
Net Current Assets	13036.2	12492.5	13365.2	15521.0	16989.2
Application of Funds	25423.3	25879.6	25810.6	27768.5	29820.1

Source: Company, ICICI Direct Research

Exhibit 10: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Per share data (₹)					
Adjusted EPS	57.9	41.5	47.2	53.0	61.8
Cash EPS	66.8	52.2	59.5	66.1	76.3
BV per share	195.2	202.2	214.5	232.5	254.3
Cash per Share	44.7	41.8	49.0	62.2	65.5
Dividend per share	33.3	35.0	35.0	35.0	40.0
Operating Ratios (%)					
Gross Profit Margins	43.4	42.4	43.5	43.8	44.2
EBITDA margins (%)	21.4	17.7	18.3	18.6	19.2
(Adjusted) PAT Margins	15.7	11.7	12.6	13.0	13.5
Cash Conversion Cycle	41.6	46.9	40.0	40.0	41.0
Fixed asset turnover (x)	3.3	2.6	2.8	3.2	3.5
Return Ratios (%)					
RoE	32.0	20.9	22.7	23.7	25.4
RoCE	21.6	15.2	16.5	17.7	19.2
Valuation Ratios (x)					
P/E	49.5	69.1	60.7	54.1	46.4
EV / EBITDA	36.4	46.0	41.6	37.3	32.3
EV / Net Sales	7.8	8.1	7.6	7.0	6.2
Market Cap / Sales	7.8	8.1	7.6	7.0	6.3
Price to Book Value	14.7	14.2	13.4	12.3	11.3
Solvency Ratios					
Debt / EBITDA	0.7	0.8	0.5	0.5	0.4
Debt / Equity	0.3	0.3	0.2	0.2	0.1

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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