PL Capital
PRABHUDAS LILLADHER

Kansai Nerolac Paints (KNPL IN)

Rating: ACCUMULATE | CMP: Rs200 | TP: Rs248

February 26, 2026

Analyst Meet Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	248		248	
Sales (Rs. m)	82,379	87,708	82,379	87,708
% Chng.	-	-		
EBITDA (Rs. m)	10,742	11,689	10,742	11,689
% Chng.	-	-		
EPS (Rs.)	8.9	9.7	8.9	9.7
% Chng.	-	-		

Key Financials - Standalone

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. m)	74,967	77,428	82,379	87,708
EBITDA (Rs. m)	9,741	9,867	10,742	11,689
Margin (%)	*13.0*	*12.7*	*13.0*	*13.3*
PAT (Rs. m)	6,647	6,738	7,201	7,844
EPS (Rs.)	8.2	8.3	8.9	9.7
Gr. (%)	*(3.0)*	*1.4*	*6.9*	*8.9*
DPS (Rs.)	3.8	2.8	3.0	3.3
Yield (%)	*1.9*	*1.4*	*1.5*	*1.6*
RoE (%)	*11.1*	*10.2*	*10.2*	*10.4*
RoCE (%)	*13.0*	*11.6*	*11.8*	*12.1*
EV/Sales (x)	1.9	1.8	1.7	1.5
EV/EBITDA (x)	14.5	14.2	12.9	11.6
PE (x)	24.4	24.0	22.5	20.7
P/BV (x)	2.5	2.4	2.2	2.1

Key Data	KANE.BO | KNPL IN
52-W High / Low	Rs.273 / Rs.197
Sensex / Nifty	82,249 / 25,497
Market Cap	Rs.162bn/ $ 1,782m
Shares Outstanding	809m
3M Avg. Daily Value	Rs.111.78m

Shareholding Pattern (%)

Promoter's	74.98
Foreign	5.18
Domestic Institution	10.41
Public & Others	9.43
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(11.7)	(14.4)	(12.8)
Relative	(12.5)	(15.9)	(20.9)

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Industrial/Auto to lead growth, outlook healthy

Quick Pointers:

- Decorative business remains under pressure amidst heightened competition; however, intensity has stabilized.
- Decorative growth to be led by Paint+, Wood coatings and Projects
- Industrial Paints business would be key growth driver with auto to remain key focus area with both PV & 2W/3W segment seeing healthy demand

We attended the Kansai India business strategy call (Part of Kansai Paint Japan, call), where the management highlighted increased focus towards Industrial paints/Auto paints (~55% share) segment with revenue share to increase incrementally in medium term. Industrial paints will be led by sustained high growth in Automotive Paints, Auto refinishes, Powder coatings and strong traction and new launches backed by innovation, Policy tailwinds and Kansai's technological edge across emerging segments.

Decorative business is expected to recover in the medium term. Although competitive intensity is expected to remain high, KNPL remains confident of stability over the next 1-2 quarters led by improving demand scenario. KNPL's gave a constructive outlook with focus on industrial paints and automotive segment while steady growth is expected in decorative paints. KNPL remains confident of growing faster than Industry growth.

We expect little scope to increase margins as lower margin Industrial Paints have better growth prospects and decorative outlook is uncertain in near term. We expect 7.9% EPS CAGR over FY26-28. KNPL is currently trading at 20.7x FY28 EPS, which factors in most negatives, however the stock lacks any immediate triggers. Retain Accumulate with TP of Rs248 (No change).

Key Takeaways

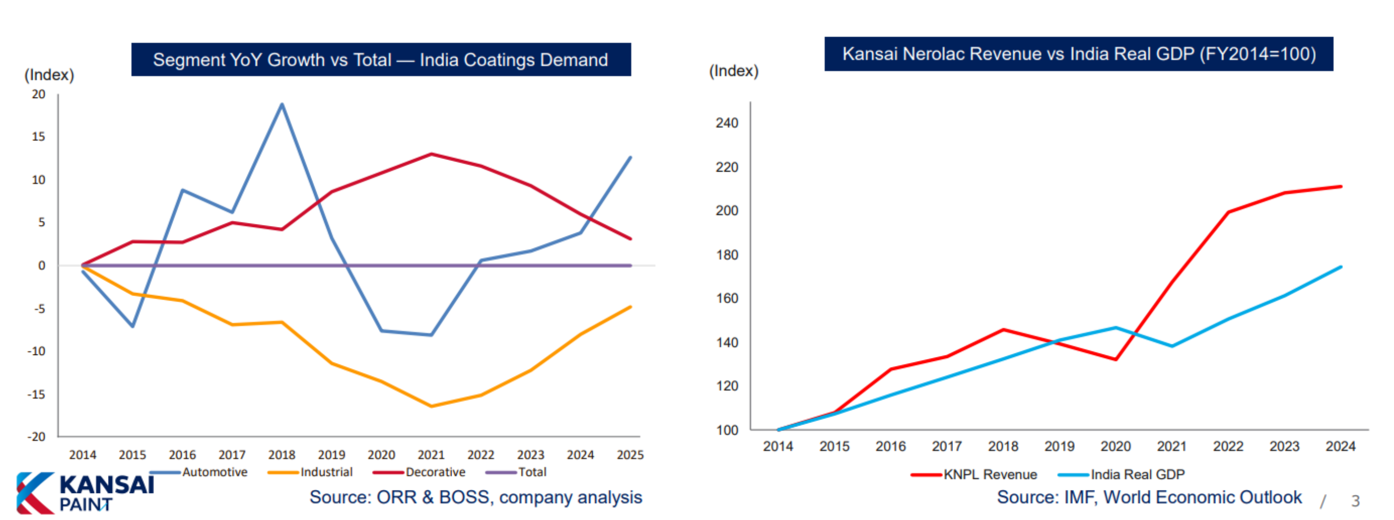
- **Decorative paints** to remain highly competitive space though intensity has moderated; KNPL to step up investments to drive steady long-term growth.
- **Industrial paints segment** continues to see strong demand as lower-tier players continue to face margin and demand pressures, while KNPL remains focused on premiumization. Management indicates that competitive intensity at the lower end has had no impact on its core portfolio, given its differentiated positioning and value-accretive mix strategy.
- KNPL expects a strong Q4 performance in the Auto segment, supported by healthy domestic and export demand. However, given a higher base in FY27, growth may moderate going ahead, though the medium-term outlook remains constructive.

- KNPL is evaluating opportunities beyond its current focus areas to tap into structurally high-growth segments. Management's intent appears to be diversifying the growth portfolio over the near to medium term, which could improve overall business resilience.
- KNPL is looking to explore opportunities in other high growing segments which it will figure out in near to medium term
- No major CAPEX to be seen apart from small brown field expansion with North & East being prominent region and focus on town level expansion

Industrial paints recovery gains pace; decorative under pressure

- **Industrial paints outlook turning constructive**: Overall industrial paints demand is seeing a gradual recovery, led by robust traction in the Automotive segment, while the broader industrial paints bucket is improving on the back of accelerating infrastructure activity and sustained government capex. We estimate Automotive / Performance Coatings revenues to grow in high single near to medium term driven by volume growth, premiumization and improving realizations.
- **Decorative remains hypercompetitive**: The Decorative segment continues to face heightened competitive intensity, with Birla Opus maintaining an aggressive customer acquisition and channel expansion strategy. We factor in a ~5.5% sales CAGR over FY26–FY28E. Given sustained competitive pressures and elevated trade spend, we expect Decorative mix to continue moderate with currently at ~45% tilting towards the higher-growth industrial paints portfolio.

Exhibit 1: Auto/Industrial paints sees good demand, decorative lag behind

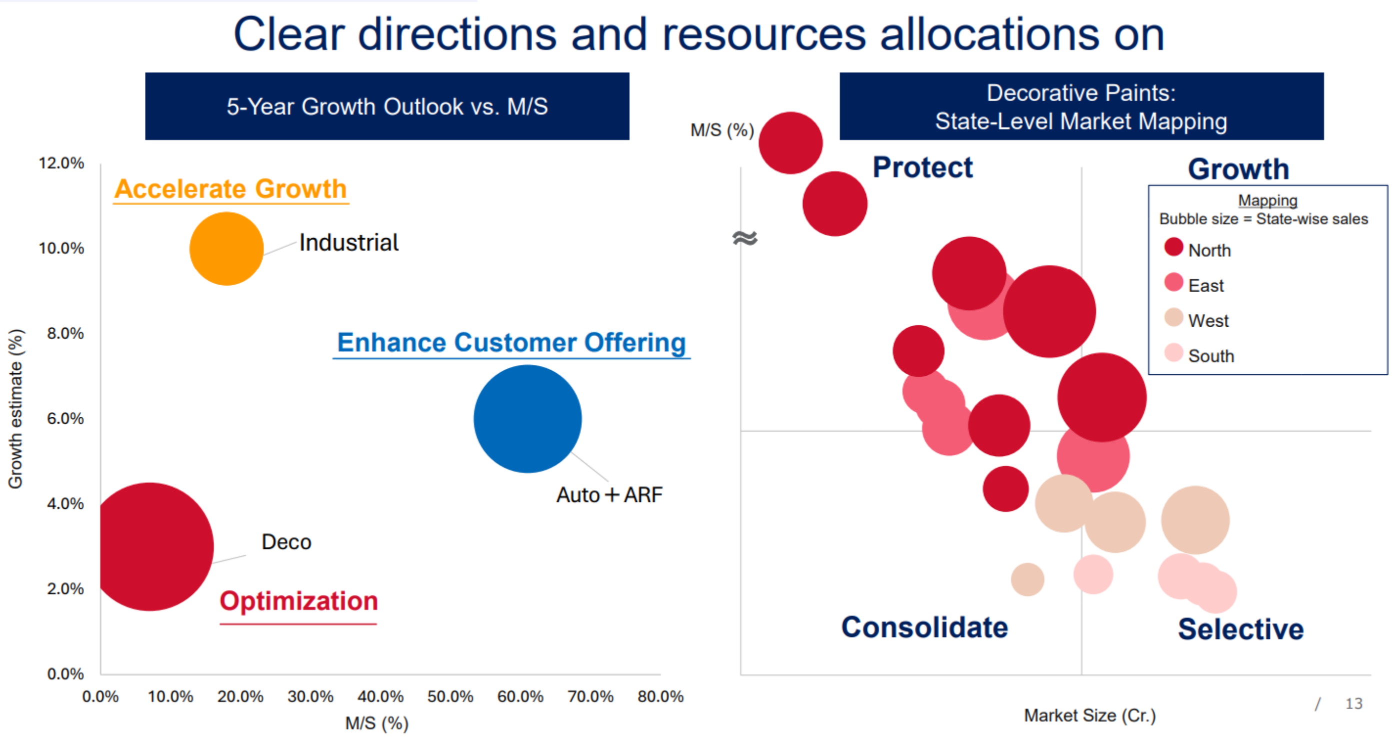


Source: Company, PL

KNPL - Industrial paints to be growth driver, decorative segment focus on protecting Market share

- The outlined framework for Kansai Nerolac Paints highlights a clear prioritization of growth across segments and geographies. Over the five-year horizon, the Industrial paints portfolio is positioned in the "accelerate growth" quadrant with early double-digit growth visibility,
- Auto + ARF remains a key driver under "enhance customer offering," supported by healthy medium-term expansion and superior market share positioning.
- The Decorative segment is currently placed in the optimization bucket with relatively moderate growth expectations, indicating a calibrated approach toward improving mix and execution.
- At the state level within Decorative paints, the company's strategy is sharply differentiated focusing on "protect" markets (North and East) remain "selective" in smaller or structurally constrained markets (West and South). Overall, it reflects a disciplined, data-backed capital allocation strategy aimed at balancing market share defense with targeted growth acceleration.

Exhibit 2: Industrial/Auto paints to remain key focus area



Source: Company, PL

Auto Paints: Demand momentum remains strong

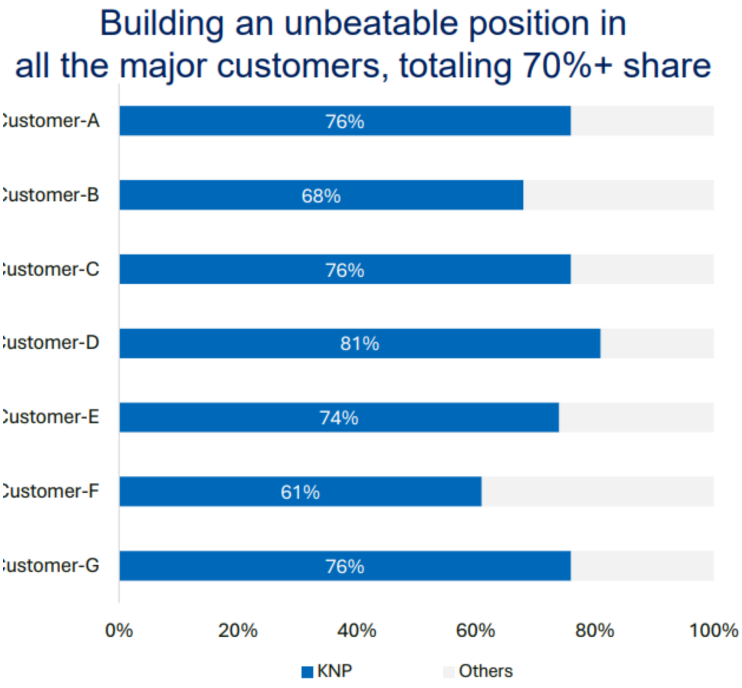
- Auto demand has strong pick-up post GST rate cuts and KNPL is expected to be major beneficiary of the same as it has 70% share in 2W/PV market. Industry production is witnessing steady expansion, supported by export growth, improving domestic demand and policy tailwinds, translating into a healthy ramp-up in overall vehicle output.

- KNPL Continues to lead in the auto motive paints which have seen sales growing by 8.3% CAGR over past 5 years. It has also increased its market share from 56% to 61%+ during the same period.

- Product mix is shifting toward vehicles with higher surface area, driven by rising SUV demand, alongside premiumization in metallic coatings. This evolving mix is expected to support higher realizations and drive a gradual improvement in ASPs over the medium term.

- While next 2-3 quarters will show strong growth, long term volumes will grow in mid-single digits led by demand will be driven by steady growth in PV & 2W/3W, continued premiumization and EV-led model launches. Coupled with its entrenched OEM positioning and scale advantages, KNPL is well placed to consolidate leadership and drive a favorable mix shift.

Exhibit 3: Auto: 2W/3W market share at ~70% across major brands



Source: Company, PL

General Industrial Paints: Innovation, premiumization to drive margins

- KNPL remains confident to outpace industry growth over medium term with focus on high-growth segments including construction equipment, white goods, furniture (powder), agricultural equipment, pre-engineered buildings, coil coatings and railways, positioning the company on right growth track

- Powder and GI+HPC continue to outpace industry growth, with indexed growth likely to scale from 1.0 in FY21 to ~1.9–2.4 by FY27E, materially ahead of estimated market expansion with sustained market share gains. Powder coatings remain a structural moat, supported by product differentiation and strong brand equity, while GI retains competitiveness through disciplined pricing. Ongoing distribution expansion (2,000+ dealers) alongside rising premium saliency (~20%) is expected to drive favourable mix shift and operating leverage over the medium term.

- Overall, the industrial paints segment is positioned to deliver steady high single-digit growth & we expect performance coating sales to grow by 8% CAGR to ~Rs15.5bn over FY26-FY28.

Exhibit 4: Industrial paints: growing ahead of Industry expectation

Source: Company, PL

Decorative: Steady growth in LT, green shoots visible

- KNPL's decorative business is witnessing steady execution across its identified growth levers, with distribution expansion and focused market interventions translating into above-market performance. We expect the company to step up investments in the decorative segment to drive steadier growth, with incremental spending directed toward brand building, distribution expansion and product premiumization.

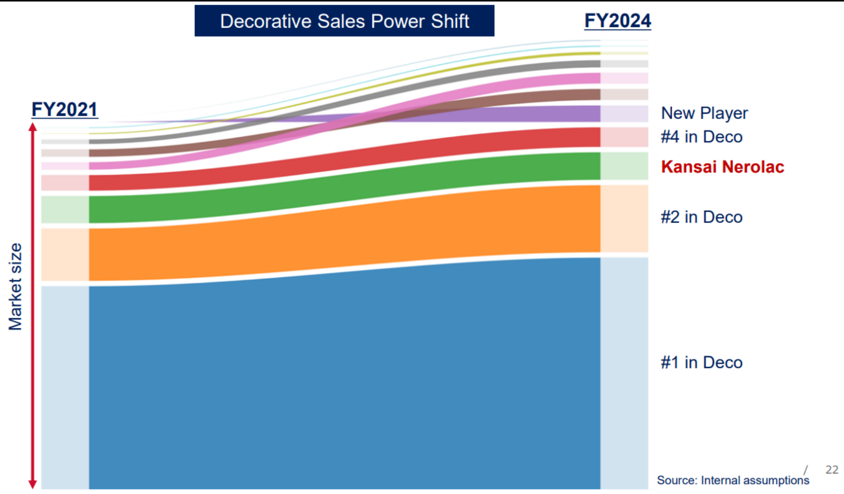
- KNPL has added 3,500+ dealers YTD, strengthening numeric and weighted reach, particularly in white spaces. The project portfolio is scaling up with improved site pipeline and dedicated product offerings, driving 10%+ growth versus estimated industry growth of 7–8%.

- In premium wood finishes, performance remains aligned with market growth, supported by portfolio completeness and deeper engagement with architects and interior designers. Construction chemicals are emerging as a high-growth adjacency, delivering 15%+ growth (vs. 8–10% market), aided by distribution expansion and portfolio augmentation.

- Near-term performance is likely to remain under pressure amid continued competitive intensity from Birla Opus which could weigh on growth momentum in the near term.

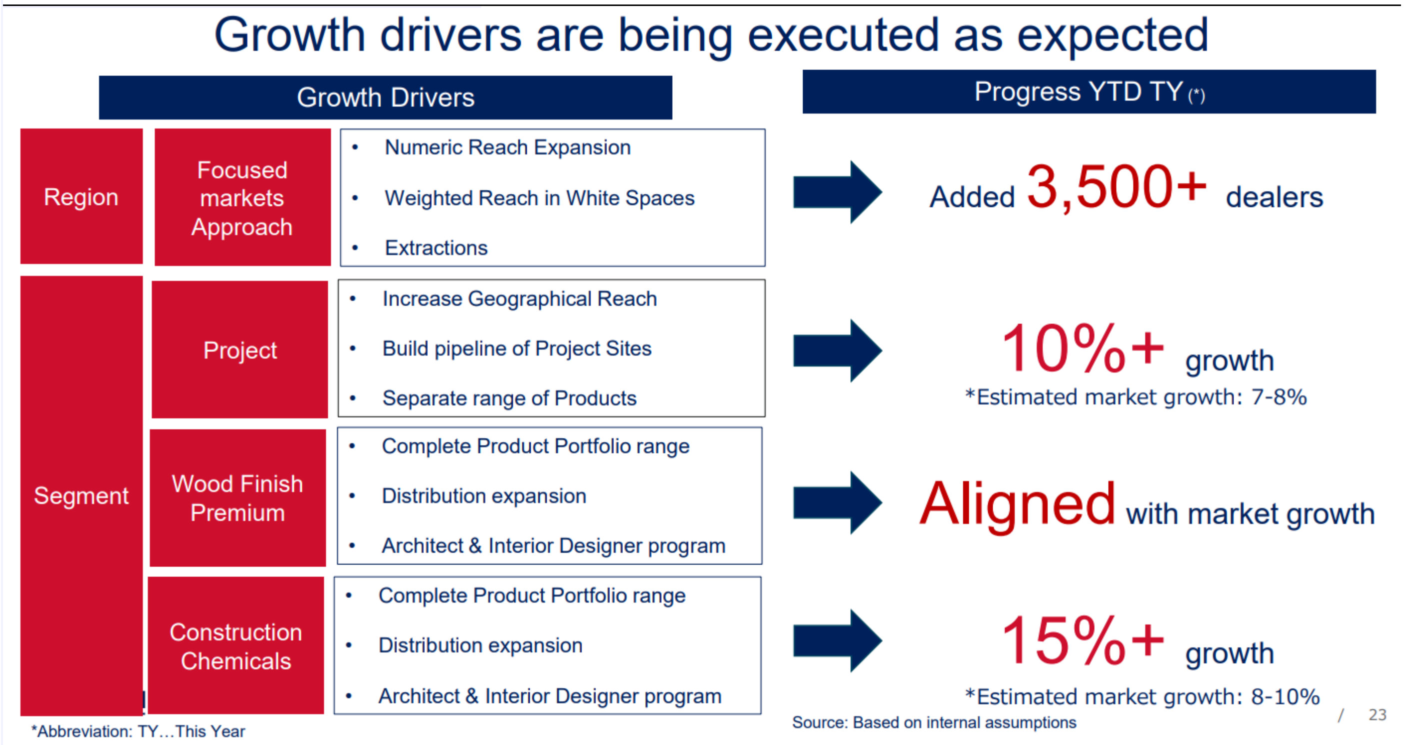
- We expect decorative paints to grow at modest 5.5% sales CAGR over FY26-FY28 as competitive environment remains elevated

Exhibit 5: Decorative to see step up in investments to sustain market share



Source: Company, PL

Exhibit 6: Project business/Construction chemicals growing ahead of estimated market growth



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	**74,967**	**77,428**	**82,379**	**87,708**
YoY gr. (%)	*1.4*	*3.3*	*6.4*	*6.5*
Cost of Goods Sold	48,526	49,714	52,854	56,504
Gross Profit	26,441	27,714	29,525	31,204
Margin (%)	*35.3*	*35.8*	*35.8*	*35.6*
Employee Cost	4,472	4,994	5,684	5,876
Other Expenses	7,332	7,433	7,579	7,894
EBITDA	**9,741**	**9,867**	**10,742**	**11,689**
YoY gr. (%)	*(4.8)*	*1.3*	*8.9*	*8.8*
Margin (%)	*13.0*	*12.7*	*13.0*	*13.3*
Depreciation and Amortization	1,937	2,215	2,415	2,592
EBIT	**7,805**	**7,652**	**8,327**	**9,098**
Margin (%)	*10.4*	*9.9*	*10.1*	*10.4*
Net Interest	151	179	228	295
Other Income	1,421	1,571	1,632	1,797
Profit Before Tax	**9,074**	**9,044**	**9,731**	**10,600**
Margin (%)	*12.1*	*11.7*	*11.8*	*12.1*
Total Tax	2,428	2,306	2,530	2,756
Effective tax rate (%)	*26.8*	*25.5*	*26.0*	*26.0*
Profit after tax	**6,647**	**6,738**	**7,201**	**7,844**
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**6,647**	**6,738**	**7,201**	**7,844**
YoY gr. (%)	*(3.0)*	*1.4*	*6.9*	*8.9*
Margin (%)	*8.9*	*8.7*	*8.7*	*8.9*
Extra Ord. Income / (Exp)	3,566	-	-	-
Reported PAT	**10,213**	**6,738**	**7,201**	**7,844**
YoY gr. (%)	*(13.7)*	*(34.0)*	*6.9*	*8.9*
Margin (%)	*13.6*	*8.7*	*8.7*	*8.9*
Other Comprehensive Income	(35)	-	-	-
Total Comprehensive Income	10,178	6,738	7,201	7,844
Equity Shares O/s (m)	**808**	**808**	**808**	**808**
EPS (Rs)	**8.2**	**8.3**	**8.9**	**9.7**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	**35,077**	**38,797**	**41,507**	**44,217**
Tangibles	34,455	38,165	40,865	43,565
Intangibles	622	632	642	652
Acc: Dep / Amortization	**15,606**	**17,387**	**19,320**	**21,383**
Tangibles	15,097	16,821	18,697	20,701
Intangibles	509	566	623	682
Net fixed assets	**19,471**	**21,410**	**22,186**	**22,834**
Tangibles	19,358	21,344	22,168	22,864
Intangibles	113	66	19	(30)
Capital Work In Progress	2,210	1,200	1,200	1,200
Goodwill	2	-	-	-
Non-Current Investments	1,317	1,373	1,435	1,501
Net Deferred tax assets	(1,553)	(1,630)	(1,712)	(1,797)
Other Non-Current Assets	4,955	5,119	5,601	5,927
Current Assets				
Investments	18,460	19,460	19,960	22,960
Inventories	16,097	17,916	18,854	20,074
Trade receivables	12,747	12,879	13,475	14,347
Cash & Bank Balance	2,602	2,660	3,054	4,002
Other Current Assets	1,603	1,897	2,018	2,149
Total Assets	**79,692**	**84,070**	**87,949**	**95,169**
Equity				
Equity Share Capital	808	808	808	808
Other Equity	62,854	67,244	72,019	77,236
Total Networth	**63,662**	**68,052**	**72,828**	**78,045**
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	210	230	253	279
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	10,237	9,986	7,941	8,671
Other current liabilities	2,637	2,157	2,463	2,803
Total Equity & Liabilities	**79,692**	**84,070**	**87,950**	**95,170**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	9,074	9,044	9,731	10,600
Add. Depreciation	1,937	2,215	2,415	2,592
Add. Interest	151	179	228	295
Less Financial Other Income	1,421	1,571	1,632	1,797
Add. Other	4,701	498	299	541
Op. profit before WC changes	15,863	11,935	12,673	14,027
Net Changes-WC	(5,922)	(3,902)	(3,905)	(4,162)
Direct tax	(3,654)	(2,306)	(2,530)	(2,756)
Net cash from Op. activities	**6,287**	**5,727**	**6,238**	**7,109**
Capital expenditures	(3,540)	(3,142)	(3,191)	(3,239)
Interest / Dividend Income	-	-	-	-
Others	757	-	-	-
Net Cash from Invt. activities	**(2,783)**	**(3,142)**	**(3,191)**	**(3,239)**
Issue of share cap. / premium	(15)	(125)	-	-
Debt changes	-	-	-	-
Dividend paid	(3,031)	(2,223)	(2,425)	(2,627)
Interest paid	(151)	(179)	(228)	(295)
Others	-	-	-	-
Net cash from Fin. activities	**(3,198)**	**(2,527)**	**(2,653)**	**(2,922)**
Net change in cash	**306**	**58**	**394**	**948**
Free Cash Flow	2,747	2,585	3,047	3,870

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY25	Q1FY26	Q2FY26	Q3FY26
Net Revenue	**17,404**	**20,874**	**18,710**	**19,074**
YoY gr. (%)	*4.7*	*1.8*	*0.4*	*3.5*
Raw Material Expenses	11,379	13,336	12,158	12,295
Gross Profit	6,025	7,538	6,553	6,778
Margin (%)	*34.6*	*36.1*	*35.0*	*35.5*
EBITDA	**1,778**	**3,120**	**2,119**	**2,473**
YoY gr. (%)	*(0.7)*	*(6.7)*	*(1.5)*	*0.2*
Margin (%)	*10.2*	*14.9*	*11.3*	*13.0*
Depreciation / Depletion	497	512	525	585
EBIT	**1,281**	**2,608**	**1,593**	**1,888**
Margin (%)	*7.4*	*12.5*	*8.5*	*9.9*
Net Interest	37	36	38	58
Other Income	394	529	288	367
Profit before Tax	**1,638**	**3,101**	**1,844**	**2,197**
Margin (%)	*9.4*	*14.9*	*9.9*	*11.5*
Total Tax	403	792	475	552
Effective tax rate (%)	*24.6*	*25.6*	*25.7*	*25.1*
Profit after Tax	**1,235**	**2,309**	**1,369**	**1,645**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**1,235**	**2,309**	**1,369**	**1,645**
YoY gr. (%)	*2.4*	*(4.3)*	*5.2*	*(3.2)*
Margin (%)	*7.1*	*11.1*	*7.3*	*8.6*
Extra Ord. Income / (Exp)	-	-	-	(333)
Reported PAT	**1,235**	**2,309**	**1,369**	**1,312**
YoY gr. (%)	*21.6*	*(4.3)*	*5.2*	*(75.1)*
Margin (%)	*7.1*	*11.1*	*7.3*	*6.9*
Other Comprehensive Income	(19)	(5)	(7)	58
Total Comprehensive Income	**1,216**	**2,303**	**1,363**	**1,370**
Avg. Shares O/s (m)	808	808	808	808
EPS (Rs)	**1.5**	**2.9**	**1.7**	**2.0**

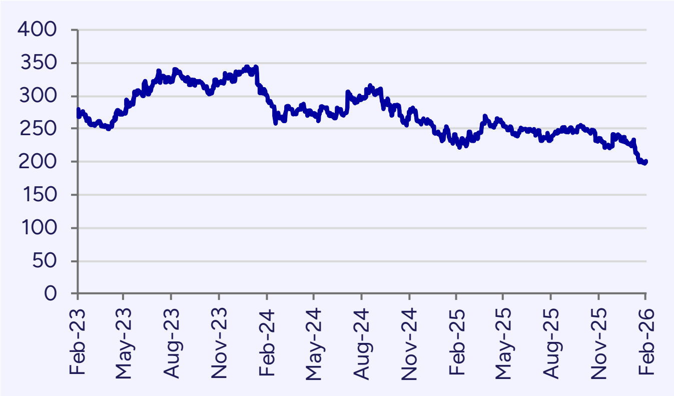
Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share(Rs)				
EPS	8.2	8.3	8.9	9.7
CEPS	10.6	11.1	11.9	12.9
BVPS	78.8	84.2	90.1	96.5
FCF	3.4	3.2	3.8	4.8
DPS	3.8	2.8	3.0	3.3
Return Ratio(%)				
RoCE	13.0	11.6	11.8	12.1
ROIC	14.6	13.0	13.0	13.9
RoE	11.1	10.2	10.2	10.4
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.3)	(0.3)	(0.3)
Net Working Capital (Days)	91	98	108	107
Valuation(x)				
PER	24.4	24.0	22.5	20.7
P/B	2.5	2.4	2.2	2.1
P/CEPS	9.3	9.7	10.4	11.3
EV/EBITDA	14.5	14.2	12.9	11.6
EV/Sales	1.9	1.8	1.7	1.5
Dividend Yield (%)	1.9	1.4	1.5	1.6

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	04-Feb-26	Accumulate	248	222
2	08-Jan-26	Accumulate	255	238
3	04-Nov-25	Accumulate	265	250
4	08-Oct-25	Accumulate	272	246
5	05-Aug-25	Accumulate	277	244
6	09-Jul-25	Accumulate	284	251
7	07-May-25	Accumulate	284	255
8	21-Apr-25	Accumulate	288	258
9	09-Apr-25	Hold	278	244

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Kansai Nerolac Paints	Accumulate	248	222
2	Mold-tek Packaging	Accumulate	697	546

PL's Recommendation Nomenclature (Absolute Performance)

Buy	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

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