

February 4, 2026

Q3FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	248		255	
Sales (Rs. m)	82,379	87,708	82,148	88,176
% Chng.	0.3	(0.5)		
EBITDA (Rs. m)	10,742	11,689	11,014	12,194
% Chng.	(2.5)	(4.1)		
EPS (Rs.)	8.9	9.7	9.3	10.3
% Chng.	(4.1)	(5.6)		

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 (%)	1.7	1.2	1.4	1.5
RoE (%)	11.1	10.2	10.2	10.4
RoCE (%)	13.0	11.6	11.8	12.1
EV/Sales (x)	2.1	2.0	1.9	1.7
EV/EBITDA (x)	16.3	16.0	14.6	13.1
PE (x)	27.0	26.6	24.9	22.9
P/BV (x)	2.8	2.6	2.5	2.3

Key Data

KANE.BO | KNPL IN

52-W High / Low	Rs.273 / Rs.217
Sensex / Nifty	83,818 / 25,776
Market Cap	Rs.180bn / \$ 1,986m
Shares Outstanding	809m
3M Avg. Daily Value	Rs.87.47m

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	(7.9)	(9.0)	(9.9)
Relative	(5.7)	(12.0)	(15.5)

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Deco paints revival key to re-rating

Quick Pointers:

- 4Q to see mid-single revenue growth in Decorative business
- EBITDA margin guidance maintained at 13-14% in medium term

We cut our FY27/FY28 EPS estimates by 4.1%/5.6% given 1) impact of labor code change on employee cost by 70-80bps. 2) sustained competitive intensity in decorative paints 3) subdued demand outlook in decorative paints and 4) higher growth in lower margin auto and general industrial paints.

However Kansai has given cautiously optimistic outlook in near term given 1) strong growth in industrial paints, both automotive and general industrial (45% of its sales, highest contribution in Industry) 2) likely pick up in 4Q decorative volumes led by favorable macro environment and sustained gains from paint+ innovations and 3) sustained margin guidance of 13-14% led by better product mix in decorative paints.

We expect 8.4% volume CAGR growth and ~50bps margin expansion over FY26-28. We estimate a CAGR of 6.4% in sales and 7.9% in PAT over FY26-28. We value the stock at 26xDec27 EPS (No change) and assign a target price of Rs248 (Rs255 earlier). While the valuations at 23.5xFY28 have little room for further de-rating, it lacks any meaningful triggers. Retain Accumulate.

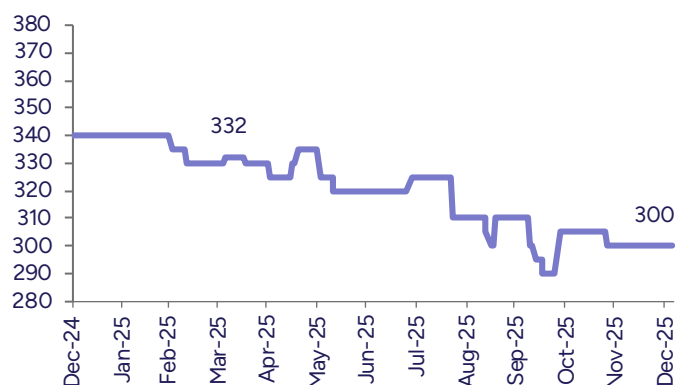
Revenues grew 3.5%; Volume growth ~4.1%: Revenues grew by 3.5% YoY to Rs19.1bn (PLe: Rs19.38bn). Gross margins expanded by 24bps YoY to 35.5% (PLe: 36.0%). EBITDA grew by 0.2% YoY to Rs2.47bn (PLe:Rs2.62bn); Margins contracted by 44bps YoY to 13% (PLe:13.6%). Adjusted PAT declined by 3.2% to Rs1.64bn (PLe:Rs1.80bn)

Concall Highlights: 1) Demand in decorative remained impacted amidst shorter festive season with October being muted while demand picked up in Nov/Dec. 2) KNPL expects mid-single revenue growth in Q4 for decorative business. 3) Industrial demand witnessed strong growth (volume in double digit) led by good demand in automotive segments. 4) Paint+ contribution now stands in double digit of Decorative Business sales 5) Project business saw double digit growth in Q3. 6) Services is aiding the Primary business with mid-single digit contribution to Decorative Business. 7) Kansai launched 11 new products during YTD'25, new product contribution remains stable QoQ. 8) Strong demand growth observed in the general industrial segment, driven by Construction Equipment and PEB. 9) Stable demand momentum was seen in Powder segment driven by Auto Ancillary, Electrical Appliances and Furniture Segment 10) Growth in Infrastructure such as railways, roads, airports, power augur well for the paint industry and will drive demand for high-end coatings. 11) Competitive intensity remains elevated with Industrial business seeing market share gain 12) Company maintained EBITDA margin guidance at 13-14% 1) Subsidiaries are seeing sequential improvement with Nepal seeing good traction while Bangladesh remains a drag

Exhibit 1: Sales grew 3.5% YoY; GM increased by 24bps YoY while EBITDAM slipped by 44bps YoY.

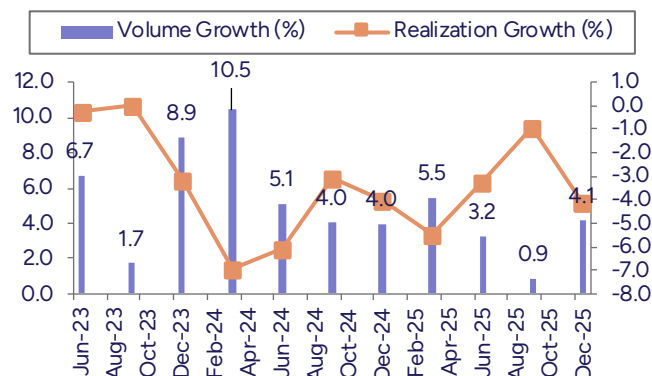
Y/e March	Q3FY26	Q3FY25	YoY gr.(%)	Q2FY26	9MFY26	9MFY25	YoY gr.(%)
Total Revenue	19,074	18,422	3.5	18,710	58,658	57,563	1.9
Gross Profit	6,778	6,502	4.2	6,553	20,869	20,416	2.2
% of NS	35.5	35.3	0.2	35.0	35.6	35.5	0.1
Other Expenses	4,306	4,033	6.7	4,434	13,158	12,453	5.7
% of NS	22.6	21.9	0.7	23.7	22.4	21.6	0.8
EBITDA	2,473	2,469	0.2	2,119	7,711	7,963	(3.2)
Margins %	13.0	13.4	(0.4)	11.3	13.1	13.8	(0.7)
Depreciation	585	515	13.7	525	1,623	1,439	12.7
Interest	58	48	21.5	38	131	114	14.9
PBT from operations	1,830	1,907	(4.0)	1,556	5,957	6,410	(7.1)
Other Income	367	374	(1.8)	288	1,185	1,026	15.4
PBT	2,197	2,281	(3.7)	1,844	7,142	7,436	(4.0)
Tax	438	582	(24.7)	475	1,705	2,024	(15.8)
Tax rate %	19.9	25.5	(5.6)	25.7	23.9	27.2	(3.4)
Adjusted PAT	1,759	1,699	3.5	1,369	5,437	5,412	0.5

Exhibit 2: PLTiO2 prices down 4.9% QoQ



Source: Company, PL

Exhibit 3: Volumes grew by ~4.1% in 3QFY26



Source: Company, PL

Exhibit 4: Branding, Marketing and Media Campaigns



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 Inv. 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	27.0	26.6	24.9	22.9
P/B	2.8	2.6	2.5	2.3
P/CEPS	10.3	10.8	11.6	12.6
EV/EBITDA	16.3	16.0	14.6	13.1
EV/Sales	2.1	2.0	1.9	1.7
Dividend Yield (%)	1.7	1.2	1.4	1.5

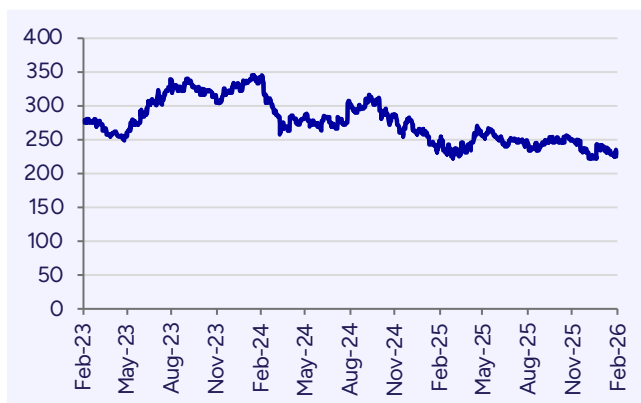
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Volume Gr %	4.8	6.0	8.2	8.5
Gross Margins %	35.3	35.8	35.8	35.6

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-26	Accumulate	255	238
2	04-Nov-25	Accumulate	265	250
3	08-Oct-25	Accumulate	272	246
4	05-Aug-25	Accumulate	277	244
5	09-Jul-25	Accumulate	284	251
6	07-May-25	Accumulate	284	255
7	21-Apr-25	Accumulate	288	258
8	09-Apr-25	Hold	278	244
9	07-Feb-25	Hold	278	249

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Kansai Nerolac Paints	Accumulate	265	250
2	Mold-tek Packaging	Accumulate	782	733

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

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