

Rating: ACCUMULATE | CMP: Rs222 | TP: Rs248

February 4, 2026

Q3FY26 Result Update

Change in Estimates | Target | Reco

Change in Estimates

| Rating | 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.

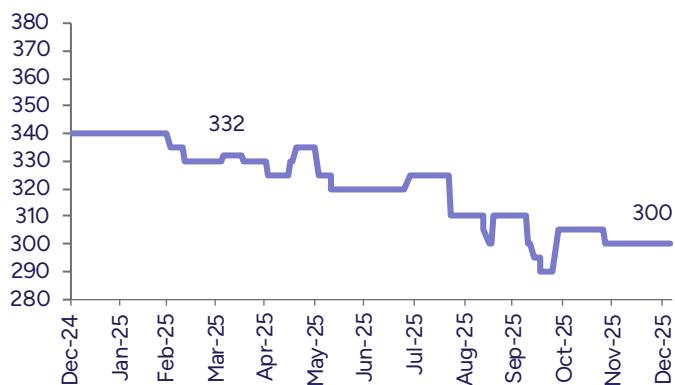
Revenues grew 3.5%; Volume growth ~4.1%: Revenues grew by 3.5% YoY to Rs19.1bn (PLe: Rs19.38bn). Gross margins expanded by 24bps YoY to 35.5% (PLe: 36.0%). EBITDA grew by 0.2% YoY to Rs2.47bn (PLe:Rs2.62bn); Margins contracted by 44bps YoY to 13% (PLe:13.6%). Adjusted PAT declined by 3.2% to Rs1.64bn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

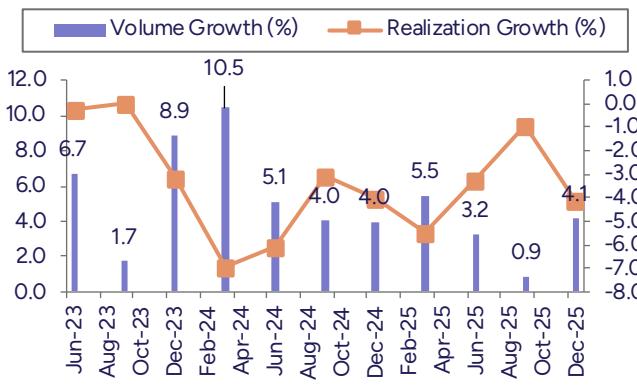
| Y/e March | Q3FY26 | Q3FY25 | YoY gr. (%) | Q2FY26 | 9MFY26 | 9MFY25 | YoY gr. (%) |
|----------------------------|---------------|---------------|--------------|---------------|---------------|---------------|--------------|
| Total Revenue | 19,074 | 18,422 | 3.5 | 18,710 | 58,658 | 57,563 | 1.9 |
| 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

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

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 |

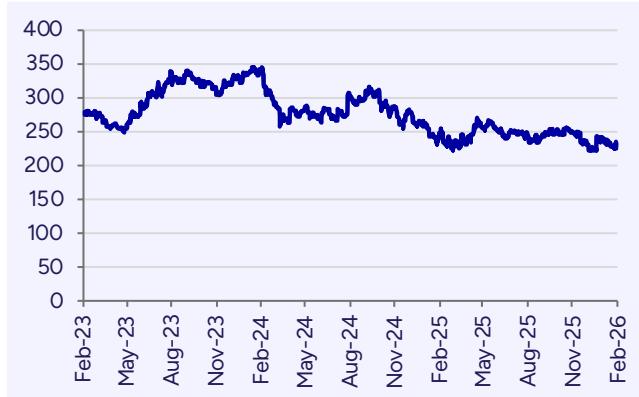
Source: Company Data, PL Research

Key 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 |

ANALYST CERTIFICATION

(Indian Clients)

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