PL Capital PRABHUDAS LILLADHER

Kansai Nerolac Paints (KNPL IN)

Q1FY27 Result Update

August 04, 2026

☑ Estimate Change | ☑ Target | ■ Reco.

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	Accumulate		Accumulate	
Target Price	259		248	
Sales (INR mn)	85,695	91,233	85,695	91,233
% Chng.	-	-		
EBITDA (INR mn)	11,123	12,304	10,781	12,030
% Chng.	3.2	2.3		
EPS (INR)	9.3	10.1	8.9	9.9
% Chng.	4.5	2.0		

Key Data KANE.BO | KNPL IN

BSE Code	500165
NSE Code	KANSAINER
52-W High / Low	INR 264 / INR 157
Face Value	1
Sensex / Nifty	78,639 / 24,774
Market Cap	INR 165 bn / $ 1,727 mn
Shares Outstanding	808.78 mn
3M Avg. Daily Value	INR 132.49 mn

Shareholding Pattern (%)

Promoters	74.96
FIIs	4.03
Mutual Funds	4.31
Domestic Institutions	7.57
Public & Others	9.13
Promoter's Pledge (INR bn)	-

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(3.9)	3.2	(10.8)	(18.6)
Relative	(5.0)	1.0	(5.0)	(16.6)

Key Financials - Standalone

Y/e Mar	FY25	FY26	FY27E	FY28E
Sales (INR mn)	74,967	77,392	85,695	91,233
EBITDA (INR mn)	9,741	9,862	11,123	12,304
Margin (%)	13.0	12.7	13.0	13.5
PAT (INR mn)	6,647	6,653	7,525	8,182
EV (INR mn)	143,483	139,076	142,904	142,922
Total Debt (INR mn)	-	-	-	-
C&C Eq. (INR mn)	2,602	1,921	893	474
EPS (INR)	8.2	8.2	9.3	10.1
Gr. (%)	(3.0)	0.1	13.1	8.7
DPS (INR)	3.8	2.8	3.0	3.3
Yield (%)	1.8	1.4	1.5	1.6
RoE (%)	11.1	10.2	10.8	10.8
RoCE (%)	13.0	11.7	12.5	12.9
EV/Sales (x)	1.9	1.8	1.7	1.6
EV/EBITDA (x)	14.7	14.1	12.8	11.6
PE (x)	24.8	24.7	21.9	20.1
P/BV (x)	2.6	2.5	2.3	2.1

Steady demand outlook across deco & industrial

Quick Pointers

- Q2FY27 to see full impact of high-cost inventory, however 5% price hike in 1Q27 will cushion margin pressure
- FY27 margin guidance maintained at 13-14%
- New capex of ~6bn for over 2.5 years focused on Auto, power coatings and backward integration.

We increase our FY27/FY28 EPS estimates by 4.5%/2.0% led by 1) healthy H2 outlook driven by strong festive season 2) EBITDA margin guidance of 13-14% despite geopolitical volatility and 3) sustained healthy traction in auto/industrial paints.

KNPL has announced a Rs6bn capex towards automotive powder coatings, including backward integration into automotive paints through resin manufacturing. The capex will be incurred over ~2-2.5 years, in addition to the regular annual capex of Rs1.5-2bn. Management expects ROCE of 15-18%, with potential upside in yield.

KNPL's focus on decorative innovations, increasing distribution, project business and increasing share in total pie remains intact. We expect 7.3% volume CAGR and ~80bps margin expansion over FY26-28. We estimate a CAGR of 8.6% in sales and 10.9% in EPS over FY26-28 and value the stock at 25xJun28 EPS which gives a target price of Rs259 (Rs248 earlier). KNPL trades at inexpensive valuations of 20.2xFY28 EPS which caps downside in the stock. Retain Accumulate.

Revenues grew 10.2%; Volume growth ~5.3%

- Revenues grew by 10.2% YoY to Rs23bn (PLe: Rs23.7bn)
- We estimate volume growth of 5.3% with decorative volumes growing by low single digits and industrial paints volumes growing in high single digits
- Gross margins contracted by 108bps YoY to 35% (Ple: 33.5%)
- EBITDA grew by 7.7% YoY to Rs3.4bn (PLe:Rs3.38bn); Margins contracted by 34bps YoY to 14.6% (PLe:14.2%)
- Adjusted PAT grew by 5.9% YoY to Rs2.44bn (PLe:Rs2.33bn)

Quarter Summary

Y/e Mar	Q1'27E	Q1'27A	% Var.	Q1'26A	YoY gr. (%)
Net Sales (INR mn)	23,692	22,995	-3.0	20,874	10.0
EBITDA (INR mn)	3,388	3,359	-1.0	3,120	8.0
Margin (%)	14.3	14.6	30 bps	14.9	-30 bps
PAT (INR mn)	2,339	2,423	4.0	2,309	5.0

Source: Company, PL

Vishwa Solanki
vishwasolanki@plindia.com | +91-22-66322244

Amnish Aggarwal
amnishaggarwal@plindia.com | +91-22-66322233

Parth Thakker
parththakker@plindia.com | +91-22-66322222

Conference Call Highlights

- Demand in 1Q was led by industrial business with Automotive/powder/performance coating seeing strong growth while auto refinishes witnessed flattish growth
- Demand momentum in H2 to remain stronger than H1 led by healthy festive season
- Management expects to maintain Q2FY27 margins on YoY basis, anticipating the full impact of decorative and industrial price increases, despite high-cost inventory
- For Q1, the consolidated pricing growth was about 5%, with industrial price hikes around 5%, and an additional 3% for decorative and 3-5% for industrial are expected in Q2 with industrial segment's price increases typically lag raw material cost changes, taking one to two quarters to fully reflect the impact
- Volume growth for decorative came in at low single digit in 1Q
- Competitive intensity remains at high levels especially in decorative segment
- Project business delivered double digit growth with presence now at 80+ cities
- Construction chemical/wood finishes delivered double digit/high single digit growth
- KNPL board has approved Rs6bn capex with 66,000 KL per annum coatings capacity & ~10,000 MT per annum resin capacity while normal annual capex remains at Rs1.5-2bn. The capex will be undertaken in the span of 2-2.5 years
- The expected ROCE for the new Capex is anticipated to be in line with current levels 15-18%, with future incremental capacity additions expected to yield higher ROCE
- Resin expansion is primarily for automotive coatings backward integration.
- FY27 EBITDA margin guidance of 13-14% remains unchanged. Medium-term aspiration remains towards the upper end of 14%+.

Exhibit 1: Quarterly Estimates

	1QFY27	*YoY gr. (%)*	Q2FY27E	*YoY gr. (%)*	Q3FY27E	*YoY gr. (%)*	Q4FY27E	*YoY gr. (%)*
Sales	22,995	*10.2*	20,768	*11.0*	21,267	*11.5*	20,665	*10.3*
EBITDA	3,359	*7.7*	2,347	*10.8*	2,871	*16.1*	2,547	*18.4*
Margin (%)	*14.6*		*11.3*		*13.5*		*12.3*	
Adj PAT	2,423	*5.0*	1,583	*15.6*	1,915	*16.4*	1,603	*20.7*

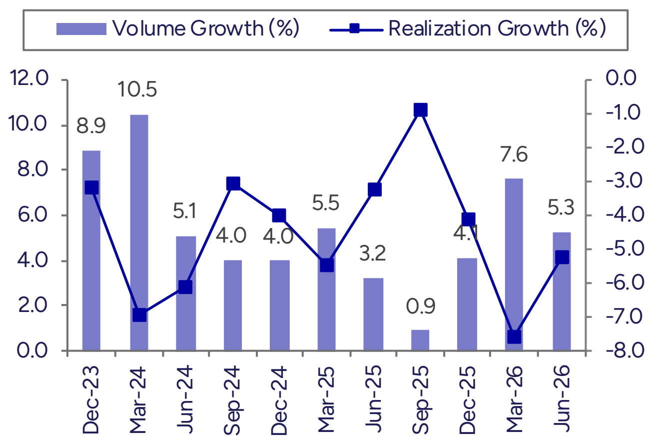
Source: Company, PL

Exhibit 2: Sales grew 10.2% YoY; GM / EBITDA margin decreased by 108bps/ 34bps YoY respectively

Y/e March	Q1FY27	Q1FY26	*YoY gr. (%)*	1Q27E	*Var %*	Q4FY26	FY27E	FY26	*YoY gr. (%)*
Total Revenue	**22,995**	**20,874**	*10.2*	**23,692**	*(2.9)*	**18,734**	**77,392**	**74,967**	*3.2*
Gross Profit	8,055	7,538	*6.9*	7,937	*1.5*	6,481	27,349	26,441	*3.4*
% of NS	*35.0*	*36.1*	*(1.1)*	*33.5*	*1.5*	*34.6*	*35.3*	*35.3*	*0.1*
Other Expenses	4,696	4,418	*6.3*	4,549	*3.2*	4,329	17,487	16,700	*4.7*
% of NS	*20.4*	*21.2*	*(0.7)*	*19.2*	*1.2*	*23.1*	*22.6*	*22.3*	*0.3*
EBITDA	**3,359**	**3,120**	***7.7***	**3,388**	***(0.9)***	**2,151**	**9,862**	**9,741**	***1.2***
Margins %	*14.6*	*14.9*	*(0.3)*	*14.3*	*0.3*	*11.5*	*12.7*	*13.0*	*(0.3)*
Depreciation	591	512	*15.3*	595	*(0.7)*	591	2,214	1,937	*14.3*
Interest	50	36	*38.2*	54	*(8.1)*	53	184	151	*22.0*
PBT from operations	**2,719**	**2,572**	***5.7***	**2,739**	***(0.7)***	**1,508**	**7,465**	**7,654**	***(2.5)***
Other Income	561	529	*6.1*	400	*40.3*	340	1,525	1,421	*7.3*
PBT	**3,280**	**3,101**	***5.8***	**3,139**	***4.5***	**1,847**	**8,989**	**9,074**	***(0.9)***
Tax	834	792	*5.3*	800	*4.2*	519	2,338	2,427	*(3.7)*
Tax rate %	*25.4*	*25.6*	*(0.1)*	*25.5*	*(0.1)*	*28.1*	*26.0*	*26.8*	*(0.7)*
Adjusted PAT	**2,446**	**2,309**	***5.9***	**2,339**	***4.6***	**1,328**	**6,652**	**6,647**	***0.1***

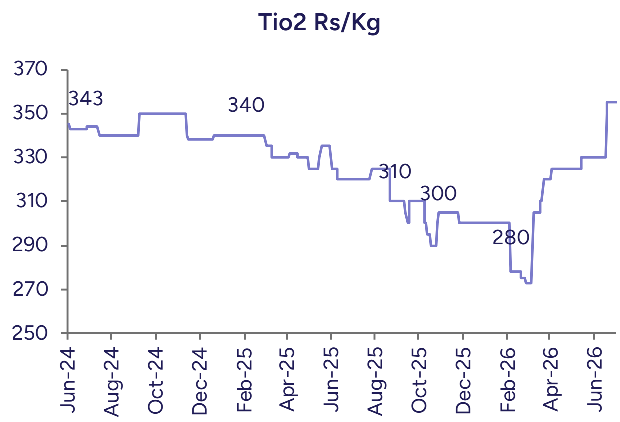
Source: Company, PL

Exhibit 3: Volume up by ~5.3%



Source: Company, PL

Exhibit 4: Tio2 prices are up by 1.1% YoY



Source: Company, PL

Exhibit 5: KNPL's Product Portfolio & New launches

Source: Company, PL

Financials

Income Statement (INR mn)

Y/e Mar	FY25	FY26	FY27E	FY28E
Net Revenues	**74,967**	**77,392**	**85,695**	**91,233**
YoY gr. (%)	*1.4*	*3.2*	*10.7*	*6.5*
Cost of Goods Sold	48,526	50,043	55,804	58,903
Gross Profit	26,441	27,349	29,891	32,330
Margin (%)	*35.3*	*35.3*	*34.9*	*35.4*
Employee Cost	4,472	4,903	5,356	5,793
Other Expenses	7,332	7,245	7,884	8,348
EBITDA	**9,741**	**9,862**	**11,123**	**12,304**
YoY gr. (%)	*(4.8)*	*1.2*	*12.8*	*10.6*
Margin (%)	*13.0*	*12.7*	*13.0*	*13.5*
Depreciation and Amortization	1,937	2,214	2,415	2,601
EBIT	**7,805**	**7,648**	**8,708**	**9,703**
Margin (%)	*10.4*	*9.9*	*10.2*	*10.6*
Net Interest	151	184	228	296
Other Income	1,421	1,525	1,690	1,650
Profit Before Tax	**9,074**	**8,989**	**10,169**	**11,057**
Margin (%)	*12.1*	*11.6*	*11.9*	*12.1*
Total Tax	2,428	2,335	2,644	2,875
Effective Tax Rate (%)	*26.8*	*26.0*	*26.0*	*26.0*
Profit After Tax	**6,647**	**6,653**	**7,525**	**8,182**
Minority Interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**6,647**	**6,653**	**7,525**	**8,182**
YoY gr. (%)	*(3.0)*	*0.1*	*13.1*	*8.7*
Margin (%)	*8.9*	*8.6*	*8.8*	*9.0*
Extra Ord. Income / (Exp)	3,566	(455)	-	-
Reported PAT	**10,213**	**6,198**	**7,525**	**8,182**
YoY gr. (%)	*(13.7)*	*(39.3)*	*21.4*	*8.7*
Margin (%)	*13.6*	*8.0*	*8.8*	*9.0*
Other Comprehensive Income	(35)	67	-	-
Total Comprehensive Income	10,178	6,265	7,525	8,182
Equity Shares O/s (mn)	**808**	**809**	**809**	**809**
EPS (INR)	**8.2**	**8.2**	**9.3**	**10.1**

Source: Company, PL

Balance Sheet (INR mn)

Y/e Mar	FY25	FY26	FY27E	FY28E
Non-Current Assets				
Gross Block	**35,077**	**38,172**	**41,507**	**44,617**
Tangibles	34,455	37,082	40,865	43,965
Intangibles	622	1,090	642	652
Acc: Dep / Amortization	**15,606**	**17,387**	**19,320**	**21,393**
Tangibles	15,097	16,821	18,697	20,711
Intangibles	509	566	623	682
Net Fixed Assets	**19,471**	**20,785**	**22,186**	**23,224**
Tangibles	19,358	20,261	22,168	23,254
Intangibles	113	524	19	(30)
Capital Work In Progress	2,210	1,693	1,800	4,800
Goodwill	2	-	-	-
Non-Current Investments	1,317	1,297	866	887
Net Deferred Tax Assets	(1,553)	(1,572)	(1,650)	(1,733)
Other Non-Current Assets	4,955	5,463	5,837	6,916
Current Assets				
Investments	18,460	23,614	20,814	21,214
Inventories	16,097	14,929	19,613	20,881
Trade Receivables	12,747	13,798	14,018	14,924
Cash & Bank Balance	2,602	1,921	893	474
Other Current Assets	1,603	1,697	2,100	2,235
Total Assets	**79,692**	**85,385**	**88,299**	**95,738**
Equity				
Equity Share Capital	808	809	809	809
Other Equity	62,854	66,149	71,870	77,424
Total Networth	**63,662**	**66,958**	**72,679**	**78,232**
Non-Current Liabilities				
Long Term Borrowings	-	-	-	-
Provisions	210	169	186	205
Other Non Current Liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade Payables	10,237	10,754	8,531	9,151
Other Current Liabilities	2,637	4,228	2,495	2,838
Total Equity & Liabilities	**79,692**	**85,386**	**88,299**	**95,738**

Source: Company, PL

Cash Flow (INR mn)

Y/e Mar	FY25	FY26	FY27E	FY28E
PBT	9,074	8,989	10,169	11,057
Add. Depreciation	1,937	2,214	2,415	2,601
Add. Interest	151	184	228	296
Less Financial Other Income	1,421	1,525	1,690	1,650
Add. Other	4,701	(585)	1,204	(177)
Op. Profit before WC Changes	15,863	10,801	14,017	13,777
Net Changes-WC	(5,922)	(1,317)	(6,446)	(1,758)
Direct Tax	(3,654)	(2,335)	(2,644)	(2,875)
Net Cash from Op. Activities	**6,287**	**7,149**	**4,927**	**9,144**
Capital Expenditures	(3,540)	(3,010)	(3,922)	(6,639)
Interest / Dividend Income	-	-	-	-
Others	757	(1)	-	-
Net Cash from Invt. Activities	**(2,783)**	**(3,011)**	**(3,922)**	**(6,639)**
Issue of Share Cap. / Premium	(15)	(746)	622	-
Debt Changes	-	-	-	-
Dividend Paid	(3,031)	(2,224)	(2,426)	(2,628)
Interest Paid	(151)	(184)	(228)	(296)
Others	-	-	-	-
Net Cash from Fin. Activities	**(3,198)**	**(3,154)**	**(2,033)**	**(2,924)**
Net Change in Cash	**306**	**984**	**(1,028)**	**(418)**
Free Cash Flow	2,747	4,138	1,005	2,505

Source: Company, PL

Quarterly Financials (INR mn)

Y/e Mar	Q2FY26	Q3FY26	Q4FY26	Q1FY27
Net Revenues	**18,710**	**19,074**	**18,734**	**22,995**
YoY gr. (%)	*0.4*	*3.5*	*7.6*	*10.2*
Raw Material Expenses	12,158	12,295	12,254	14,941
Gross Profit	6,553	6,778	6,481	8,055
Margin (%)	*35.0*	*35.5*	*34.6*	*35.0*
EBITDA	**2,119**	**2,473**	**2,151**	**3,359**
YoY gr. (%)	*(1.5)*	*0.2*	*21.0*	*7.7*
Margin (%)	*11.3*	*13.0*	*11.5*	*14.6*
Depreciation / Depletion	525	585	591	613
EBIT	**1,593**	**1,888**	**1,561**	**2,746**
Margin (%)	*8.5*	*9.9*	*8.3*	*11.9*
Net Interest	38	58	53	50
Other Income	288	367	340	561
Profit before Tax	**1,844**	**2,197**	**1,847**	**3,258**
Margin (%)	*9.9*	*11.5*	*9.9*	*14.2*
Total Tax	475	552	519	834
Effective Tax Rate (%)	*25.7*	*25.1*	*28.1*	*25.6*
Profit After Tax	**1,369**	**1,645**	**1,328**	**2,423**
Minority Interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**1,369**	**1,645**	**1,328**	**2,423**
YoY gr. (%)	*5.2*	*(3.2)*	*7.6*	*5.0*
Margin (%)	*7.3*	*8.6*	*7.1*	*10.5*
Extra Ord. Income / (Exp)	-	(333)	(120)	-
Reported PAT	**1,369**	**1,312**	**1,209**	**2,423**
YoY gr. (%)	*5.2*	*(75.1)*	*(2.1)*	*5.0*
Margin (%)	*7.3*	*6.9*	*6.5*	*10.5*
Other Comprehensive Income	(7)	58	22	1
Total Comprehensive Income	**1,363**	**1,370**	**1,231**	**2,424**
Avg. Shares O/s (mn)	808	808	808	808
EPS (INR)	**1.7**	**2.0**	**1.6**	**3.0**

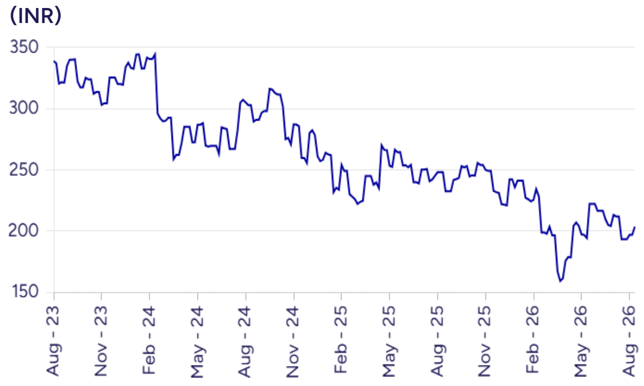
Source: Company, PL

Key Financial Metrics

Y/e Mar	FY25	FY26	FY27E	FY28E
Per Share (INR)				
EPS	8.2	8.2	9.3	10.1
CEPS	10.6	11.0	12.3	13.3
BVPS	78.8	82.8	89.9	96.7
FCF	3.4	5.1	1.2	3.1
DPS	3.8	2.8	3.0	3.3
Return Ratio (%)				
RoCE	13.0	11.7	12.5	12.9
ROIC	14.6	14.2	13.4	13.4
RoE	11.1	10.2	10.8	10.8
Balance Sheet				
Net Debt : Equity (x)	-	-	-	-
Net Working Capital (Days)	91	85	107	107
Valuation (x)				
PER	24.7	24.7	21.8	20.1
P/B	2.5	2.4	2.2	2.1
P/CEPS	19.1	18.5	16.5	15.2
EV/EBITDA	14.7	14.1	12.8	11.6
EV/Sales	1.9	1.7	1.6	1.5
Dividend Yield (%)	1.8	1.3	1.4	1.5
FCFF Yield (%)	1.6	2.5	0.6	1.5
PEG Ratio	(8.4)	401.8	1.6	2.3

Source: Company, PL

Price Chart



Recommendation History

No.	Date	Rating	TP (INR)	Share Price (INR)
1	08-Jul-26	Accumulate	248	208
2	06-May-26	Accumulate	248	202
3	09-Apr-26	Accumulate	234	186
4	26-Feb-26	Accumulate	248	200
5	04-Feb-26	Accumulate	248	222
6	08-Jan-26	Accumulate	255	238
7	04-Nov-25	Accumulate	265	250
8	08-Oct-25	Accumulate	272	246
9	05-Aug-25	Accumulate	277	244
10	09-Jul-25	Accumulate	284	251

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	Kansai Nerolac Paints	Accumulate	248	208
2	Mold-tek Packaging	Accumulate	730	692

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

We/I Mr. Vishwa Solanki PGDM - Finance, Mr. Amnish Aggarwal MBA, CFA, Mr. Parth Thakker BFM, Passed CFA Level II Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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Prabhudas Lilladher Pvt. Ltd.

Corporate Office: 6th Floor, Tower 2B South Annex, One World Centre, 841, Senapati Bapat Marg, Lower Parel, Mumbai - 400013

Registered Office: 3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018

Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com

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