

Soft Quarter, but Green Shoots on the Horizon; Maintain HOLD
Est. Vs. Actual for Q1FY26: Revenue – **BEAT**; EBITDA – **MISS**; PAT – **BEAT**
Changes in Estimates post Q1FY26
FY26E/FY27E: Revenue: 2%/2%; EBITDA: 7%/8%; PAT: 4%/6%

Recommendation Rationale

- **Muted Topline, but Signs of Recovery Emerge:** Asian Paints reported a marginal 0.3% YoY decline in consolidated revenue for Q1FY26, largely due to early monsoons and macro headwinds. Decorative segment volumes grew 3.9%, but revenue was impacted by an adverse mix. The Industrial segment grew 8.8% YoY, driven by Auto and Protective coatings. Home décor remained weak amid subdued consumer spending, though Beautiful Homes stores performed well. White Teak was affected by BIS-related issues, while Weatherseal posted 32% growth on the back of portfolio expansion. Institutional business saw a slowdown in certain sub-segments. International business delivered 11.1% like-to-like growth, with strong traction in South Asia and the Middle East. Retail presence expanded to 1.7 Lc outlets. Management maintained a cautious outlook, **guiding for single-digit growth in the near term**, while continuing to focus on services and differentiated offerings.
- **Demand Outlook:** Management indicated early signs of recovery, with urban markets improving and a good monsoon expected to support rural demand. Easing inflation and policy support provide a constructive backdrop, though competitive intensity remains high. The company aims to sustain momentum through ongoing innovation and brand-building efforts while scaling its industrial business by leveraging technical capabilities. Raw material prices are expected to soften slightly, though rupee volatility remains a key monitorable.
- **Margins Pressure:** The company's EBITDA margins contracted by 70 bps YoY to 18.2%, on account of higher sales and marketing investments. However, **management reiterated that consolidated EBITDA margin will stabilise in the 18-20% range, aided by moderating raw material costs.**
- **Backward Integration:** Asian Paints' key backward integration projects—White Cement (Dubai) and VAM-VAE Emulsion (Dahej)—are progressing as planned. The White Cement plant is nearing commissioning, with benefits expected to flow in the coming quarters. The VAM-VAE facility is likely to become operational in Q1FY27, with meaningful impact seen from Q1–Q2 FY27 onwards. These strategic investments are aimed at boosting cost efficiency and enabling differentiated product offerings.

Sector Outlook: Cautious
Company Outlook & Guidance: We maintain a **HOLD** rating on the stock.

Current Valuation: 48x Mar-27 EPS (Earlier Valuation: 45x Mar-27 EPS).

Current TP: Rs 2,420/share (Earlier TP: Rs 2,120/share).

Recommendation: With an upside of 1% from the CMP, we **maintain our HOLD** rating on the stock.

Financial performance: Asian Paints consolidated revenue declined by 0.3% YoY to Rs 8,939 Cr in Q1FY26, primarily impacted by early monsoons. Gross margins improved by 15 bps YoY to 42.7%, aided by a ~1% benefit from material cost deflation. However, EBITDA margins contracted by 70 bps YoY to 18.2% due to higher sales and marketing investments. Consequently, adjusted PAT declined by 6% YoY to Rs 1,100 Cr.

Key Financials (Consolidated)

(Rs Cr)	Q1FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	8,939	6.9	(0.3)	8,869	0.8
EBITDA	1,625	13.1	(4.1)	1,654	(1.7)
EBITDA Margin (%)	18.2	100 bps	-70 bps	18.6	-47 bps
Net Profit	1,100	58.9	(6.0)	1,090	0.9
EPS (Rs)	11.5	58.9	(6.0)	11.4	0.9

Source: Company, Axis Research

 (CMP as of 29th July 2025)

CMP (Rs)	2,401
Upside /Downside (%)	1%
High/Low (Rs)	3394/2125
Market cap (Cr)	2,30,370
Avg. daily vol.(6m)Shrs '000.	1259
No. of shares (Cr)	95

Shareholding (%)

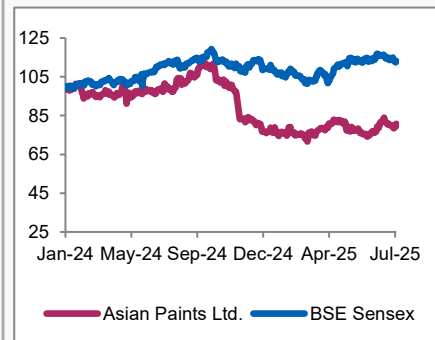
	Dec-24	Mar-25	Jun-25
Promoter	52.6	52.6	52.6
FII's	13.6	12.2	11.9
MFs / UTI	5.4	5.7	10.8
FIs / Banks	0.0	0.0	0.0
Others	28.4	29.5	24.7

Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	33,906	36,122	38,582
EBITDA	6,006	6,606	7,696
Net Profit	4,030	4,090	4,822
EPS (Rs.)	42.0	42.6	50.3
PER (x)	57.2	56.3	47.8
EV/EBITDA (x)	38.4	34.8	29.8
P/BV (x)	11.9	11.7	11.2
ROE (%)	20.8	20.8	23.4

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	2%	2%
EBITDA	7%	8%
PAT	4%	6%

Relative Performance


Source: Ace Equity, Axis Securities

Preeyam Tolia

 Research Analyst
 reeyam.tolia@axissecurities.in

SuhaneeShome

 Research Associate
 suhanee.shome@axissecurities.in

Outlook

We remain positive on the company's long-term prospects, supported by the following factors: 1) Budget boost, which will lead to an increase in disposable income; 2) Decline in raw material prices; 3) The company's announcement of setting up (a) a VAE and VAM plant and (b) a cement plant through a joint venture in Fujairah, UAE, to backward-integrate key raw materials; 4) Expansion of manufacturing footprint by more than 30–40%; and 5) Launch of differentiated next-generation emulsions and waterproofing products based on nanotechnology. These are steps in the right direction to achieve the next growth phase and secure the company's market share in the long term. **While near-term challenges and heightened competition may keep the stock range-bound, with early signs of recovery emerging, we have revised our FY26E/27E estimates and maintain our HOLD rating on the stock.**

Other Key Highlights

- **Home Décor Business:** Asian Paints' Home Décor segment remained under pressure in Q1FY26 due to weak consumer discretionary spending. The Kitchen and Bath businesses saw revenue declines of ~2% and ~5%, respectively, with both segments reporting operating losses due to muted demand. White Teak posted a sharp 32% YoY drop in sales, impacted by BIS-related challenges and weak retail sentiment. However, Weatherseal delivered a robust 32% growth, supported by a broader product portfolio, improved distribution, and synergies with the Beautiful Homes network.
- **Industrial Business:** Asian Paints' industrial business delivered healthy top-line growth in Q1FY26. PPGAP revenue increased 11.1% YoY to Rs 575 Cr, supported by strong performance in Automotive and General Industrial coatings. However, PBT margins moderated to 16.9% (vs 19.2% YoY) due to heightened competitive intensity and higher market investments. APPPG revenue grew 4.8% YoY to Rs 307 Cr, driven by the Protective Coatings segment, though margins contracted to 8.1% (vs 10.2% YoY) owing to pricing adjustments in a competitive environment.
- **International Business:** Asian Paints' international business delivered a robust performance in Q1FY26, with sales rising 8.4% YoY to Rs 736 Cr (17.5% growth in constant currency), led by strong momentum in Asian markets, the UAE, and Egypt. Profitability improved sharply, with PBT surging to Rs 38 Cr from Rs 6.5 Cr YoY, supported by operational efficiencies and benign input costs. Performance in Ethiopia remained subdued due to currency devaluation.
- **Capex:-** Asian Paints expects a total outflow of Rs 700-800 Cr in capex for FY26; out of this, Rs 100 Cr has already been spent.

Key Risks to Our Estimates and TP

- Increase in competitive intensity; prolonged demand recovery; RM inflation

Change in Estimates

	Old		New		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	35,466	37,821	36,122	38,582	2%	2%
EBDTDA	6,157	7,156	6,606	7,696	7%	8%
PAT	3,917	4,535	4,090	4,822	4%	6%
EPS	40.8	47.3	42.6	50.3	4%	6%

Source: Company, Axis Securities

Results Review

(Rs Cr)	Q1FY25	Q4FY25	Axis sec Est	Q1FY26	YoY growth %	QoQ growth %	Axis Sec Var (%)
Domestic Volume growth est. (% YoY)	7%	2%	3%	4%	-3 bps	2 bps	1 bps
Sales	8,970	8,359	8,869	8,939	(0.3)	6.9	0.8
Gross Profits	3,815	3,672	3,902	3,816	0.0	3.9	(2.2)
Gross Margin (%)	42.5	43.9	44.0	42.7	15 bps	-125 bps	-131 bps
Staff costs	674	631	715	703	4.3	11.3	(1.6)
Other operating expenses	1,447	1,605	1,534	1,488	2.8	(7.3)	(3.0)
EBITDA	1,694	1,436	1,654	1,625	(4.1)	13.1	(1.7)
EBITDA margin (%)	18.9	17.2	18.6	18.2	-70 bps	100 bps	-47 bps
Depreciation	228	301	304	301	32.1	(0.1)	(1.1)
Interest	55	53	53	45	(19.6)	(15.7)	(16.5)
Other Income	156	100	158	193	23.4	93.1	22.2
PBT	1,567	1,182	1,454	1,472	(6.0)	24.6	1.3
Minority Interest	(17)	(9)		(17)			
Share in profit of associate	37	23		36			
EO Items	-	(183)		-			
Provision for Tax	417	321	378	392	(6.0)	21.9	3.6
Tax rate (%)	26.6	27.2	26.0	26.6	0 bps	-59 bps	60 bps
Adj PAT	1,170	692	1,090	1,100	(6.0)	58.9	0.9
EPS (Rs.)	12.2	7.2	11.4	11.5	(6.0)	58.9	0.9

Source: Company, Axis Securities

Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E Mar, Rs Cr	FY24	FY25	FY26E	FY27E
Net sales	35,495	33,906	36,122	38,582
Growth, %	2.9	(4.5)	6.5	6.8
Total income	35,495	33,906	36,122	38,582
Raw material expenses	-20,090	-19,516	-20,648	-21,577
Employee expenses	-2,326	-2,597	-2,909	-3,200
Other Operating expenses	-5,493	-5,786	-5,960	-6,109
EBITDA (Core)	7,585	6,006	6,606	7,696
Growth, %	21.2	(20.8)	10.0	16.5
Margin, %	21.4	17.7	18.3	19.9
Depreciation	-853	-1,026	-1,626	-1,866
EBIT	6,732	4,980	4,979	5,830
Growth, %	24.6	(26.0)	(0.0)	17.1
Margin, %	19.0	14.7	13.8	15.1
Interest paid	-205	-227	-232	-236
Pre-tax profit	7,348	5,103	5,532	6,520
Tax provided	-1,790	-1,393	-1,398	-1,651
Net Profit	5,460	3,667	4,090	4,822
Growth, %	31.4	(26.2)	1.5	17.9
Net Profit (adjusted)	546	403	409	482
Unadj. shares (Cr)	96	96	96	96

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

As of 31st Mar, Rs Cr	FY24	FY25	FY26E	FY27E
Cash & bank	1,084	782	1,554	1,847
Debtors	4,891	4,322	3,563	3,805
Inventory	5,923	6,719	6,928	7,399
Loans & advances	0	0	0	0
Other current assets	3,570	3,332	3,332	3,332
Total current assets	15,468	15,156	15,376	16,384
Investments	4,588	4,725	4,880	5,050
Net fixed assets	9,845	10,475	10,648	10,782
Total assets	29,901	30,355	30,904	32,215
Current liabilities	90,411	90,437	92,952	95,743
Total current liabilities	90,411	90,437	92,952	95,743
Non-current liabilities	1,436	1,253	1,253	1,253
Total liabilities	10,477	10,296	10,548	10,827
Paid-up capital	96	96	96	96
Reserves & surplus	18,632	19,304	19,557	20,542
Shareholders' equity	19,424	20,059	20,356	21,388
Total equity & liabilities	29,901	30,355	30,904	32,215

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E Mar (Rs Cr)	FY24	FY25	FY26E	FY27E
Pre-tax profit	7,348	5,103	5,532	6,520
Depreciation	853	1,026	1,626	1,866
Chg in working capital	496	12	803	-435
Total tax paid	-1,777	-1,333	-1,398	-1,651
Cash flow from operating activities	6,919	4,808	6,563	6,300
Capital expenditure	-3,908	-1,656	-1,800	-2,000
Chg in investments	-326	-137	-155	-170
Cash flow from investing activities	-4,101	-1,652	-1,800	-2,000
Free cash flow	2,818	3,156	4,763	4,300
Equity raised/(repaid)	58	115	0	0
Debt raised/(repaid)	135	-243	0	0
Dividend (incl. tax)	-2,532	-2,532	-3,837	-3,837
Cash flow from financing activities	-2,195	-2,739	-3,837	-3,837
Net chg in cash	623	417	927	463
Opening cash balance	844	1,084	782	1,554
Closing cash balance	1,084	782	1,554	1,847

Source: Company, Axis Securities

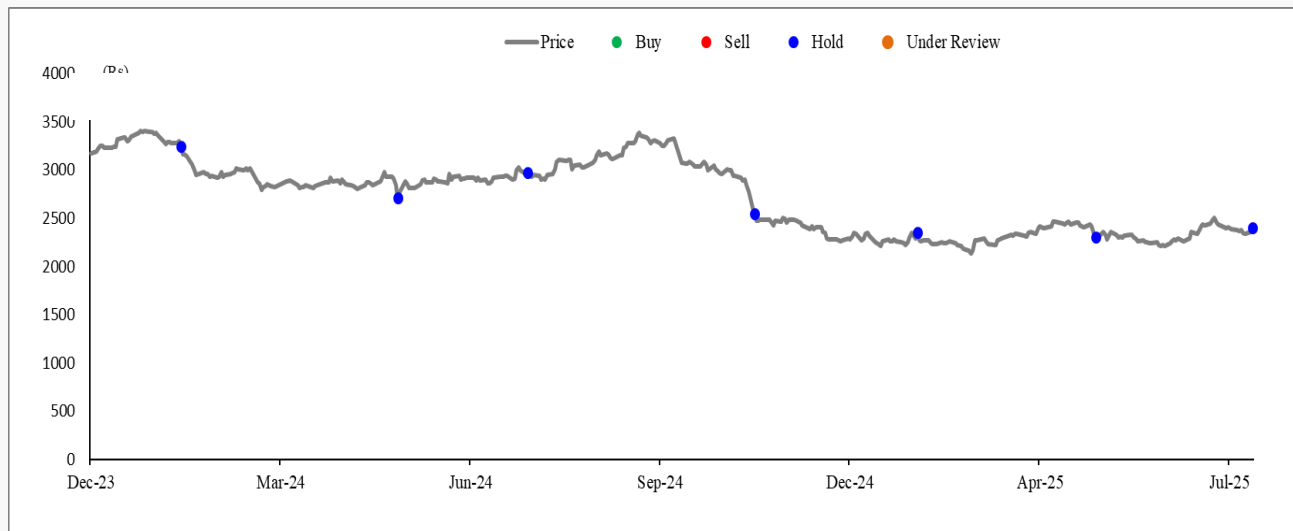
Ratio Analysis

(%)

Y/E Mar	FY24	FY25	FY26E	FY27E
Per Share data				
EPS (INR)	56.9	42.0	42.6	50.3
FDEPS (INR)	56.9	42.0	42.6	50.3
CEPS (INR)	65.8	56.5	59.6	69.7
CFPS (INR)	63.6	42.7	60.2	56.0
DPS (INR)	26.4	26.4	40.0	40.0
Return ratios				
Return on assets (%)	20.7	13.1	14.3	16.2
Return on equity (%)	29.2	20.8	20.8	23.4
Return on capital employed (%)	29.9	18.7	20.3	23.1
Turnover ratios				
Asset turnover (x)	2.6	2.2	2.3	2.5
Sales/Total assets (x)	1.3	1.1	1.2	1.2
Sales/Net FA (x)	4.3	3.3	3.4	3.6
Working capital/Sales (x)	0.2	0.2	0.1	0.1
Liquidity ratios				
Current ratio (x)	1.7	1.7	1.7	1.7
Quick ratio (x)	1.1	0.9	0.9	0.9
Interest cover (x)	32.8	21.9	21.5	24.7
Net debt/Equity (%)	0.0	0.0	(0.0)	(0.0)
Valuation				
PER (x)	42.2	57.2	56.3	47.8
Price/Book (x)	12.3	11.9	11.7	11.2
EV/Net sales (x)	6.5	6.8	6.4	5.9
EV/EBITDA (x)	30.4	38.4	34.8	29.8
EV/EBIT (x)	34.2	46.3	46.1	39.3

Source: Company, Axis Securities

Asian Paints Price Chart and Recommendation History



Date	Reco	TP	Research
18-Jan-24	HOLD	3,100	Result Update
10-May-24	HOLD	2,800	Result Update
17-Jul-24	HOLD	2,930	Result Update
12-Nov-24	HOLD	2,700	Result Update
05-Feb-25	HOLD	2,440	Result Update
09-May-25	HOLD	2,120	Result Update
30-Jul-25	HOLD	2,420	Result Update

Source: Axis Securities

Axis Securities Limited is a subsidiary company of Axis Bank Ltd. Axis Bank Ltd. is a listed public company and one of India's largest private sector banks and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on www.axisbank.com.

Axis Securities Limited, is registered as a

- Stock Broker, Depository Participant, Portfolio Manager, Investment Adviser and Research Analyst with Securities and Exchange Board of India
- Corporate Agent with Insurance Regulatory and Development Authority of India
- Point of Presence with Pension Fund Regulatory and Development Authority
- Distributor for Mutual Funds with AMFI

Registration Details:

SEBI Single Reg. No.- NSE, BSE, MSEI, MCX & NCDEX – INZ000161633 | SEBI Depository Participant Reg. No. IN-DP-403-2019 | Portfolio Manager Reg. No.- INP000000654 | Investment Advisor Reg No. INA000000615 | SEBI-Research Analyst Reg. No. INH000000297 | IRDA Corporate Agent (Composite) Reg. No. CA0073| PFRDA – POP Reg. No. POP387122023 | Mutual Fund Distributor ARN- 64610.

Compliance Officer Details: Name – Mr. Rajiv Kejriwal, Tel No. – 022-68555574, Email id – compliance.officer@axisdirect.in;

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aurum Q Parc, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

In case of any grievances please call us at 022-40508080 or write to us helpdesk@axisdirect.in.

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in last five years. However, SEBI, Exchanges, Clearing Corporations and Depositories etc. have conducted the routine inspection and based on their observations have issued advise/warning/show cause notices/deficiency letters/ or levied penalty or imposed charges for certain deviations observed in inspections or in normal course of business, as a Stock Broker / Depository Participant/Portfolio Manager. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

By referring to any particular sector, Axis Securities does not provide any promise or assurance of favourable view for a particular industry or sector or business group in any manner.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors. Our research should not be considered as an advertisement or advice, professional or otherwise. This research report and its respective content by Axis Securities made available on this page or otherwise do not constitute an offer to sell or purchase or subscribe for any securities or solicitation of any investments or investment services for the residents of Canada and / or USA or any jurisdiction where such an offer or solicitation would be illegal.

Subject company(ies) may have been client during twelve months preceding the date of distribution of the research report. Derivatives are a sophisticated investment device. The investor is requested to take into consideration all the risk factors before actually trading in derivative contracts.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment of its original date of publication by ASL and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments.

The information and opinions in this report have been prepared by Axis Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Axis Securities. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite, investment objective or the particular circumstances of an individual investor. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and the like and take professional advice before investing.

While we would endeavour to update the information herein on a reasonable basis, Axis Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Axis Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or Axis Securities policies, in circumstances where Axis Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained in good faith from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Axis Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Axis Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Axis Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months. Axis Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction. Axis Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months. Axis Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Axis Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Axis Securities nor Research Analysts and / or their relatives have any material conflict of interest at the time of publication of this report. Please note that Axis Securities has a proprietary trading desk. This desk maintains an arm's length distance with the Research team and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Research Analyst may have served as an officer, director or employee of subject company(ies). Axis Securities or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report. Since associates of Axis Securities and Axis Securities as an entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report. Axis Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. Certain transactions -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centres on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

We and our affiliates/associates, officers, directors, and employees, Research Analyst(including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of Research Report or at the time of public appearance. Axis Securities may have proprietary long/short position in the above mentioned scrip(s) and therefore may be considered as interested. This should not be construed as invitation or solicitation to do business with Axis Securities. Axis Securities is also a Portfolio Manager. Portfolio Management Team (PMS) takes its investment decisions independent of the PCG research and accordingly PMS may have positions contrary to the PCG research recommendation.

RATING SCALE: Definitions of ratings

Ratings	Expected absolute returns over 12 – 18 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.