Premium Mix Fuels Momentum, but Margin Pressure Persists

Est. Vs. Actual for Q2FY27: Revenue – BEAT; EBITDA – MISS; PAT – MISS

Changes in Estimates Post Q2FY27

FY27E/FY28E: Revenue: -2%/-3%; **EBITDA:** -12%/-13%; **PAT:** -13%/-14%

Recommendation Rationale

- **Steady Performance:** In Q2FY27, Asian Paints recorded a ~17% YoY expansion in consolidated top-line revenue, led by volume growth and 8% price hikes. The core Indian decorative segment aligned with expectations, delivering a 6.4% volume increase alongside 14.5% value growth. This was fueled by a 5% calibrated pricing revision, an expanding retail footprint, and higher rural penetration, which continued to run ahead of urban demand. Meanwhile, international operations demonstrated resilience, advancing 23.7% YoY on growth from the Middle East and Africa. Premiumization gained momentum, with new, innovative products accounting for ~18% of consolidated revenue.
- **B2B Business Rocketing Up:** Consolidated volume growth was supported by the fast-growing B2B segment, which demonstrated healthy momentum driven by increased expenditures on infrastructure, urbanisation, and government initiatives. The segment witnessed urban outpacing rural with accelerated growth across Tier 1 and Tier 2 cities. Through platforms such as the Assure and Juggernaut programs, the company offers unified solutions to engage diverse B2B channels, reinforcing operations and positioning the business for sustained expansion.
- **Margins Pressure:** A geopolitically led inflationary environment affected the profitability of the company. Cost of Goods Sold witnessed a 24% increase, causing gross margin contraction by 347 bps during the quarter. Consequently, EBITDA margins contracted 201 bps. The company has taken price hikes, which will soon start reflecting in numbers and will continue to take price hikes in the future. Management aims for gross margins to come back to 41%-43% while remaining confident of EBITDA Margins to remain in the guided range of 18%-20%.
- **Demand Outlook:** Facing margin pressure from high raw material costs, supply chain issues, and tough competition, Asian Paints plans to protect profitability through brand investment, product innovation, and cost control, while capturing seasonal demand and applying measured price hikes. Over the longer term, the company is anchoring its growth strategy around six core pillars: a massive push on brand building, innovation for differentiation and premiumization, services ignition, widening its reach in the B2B segment, regional market ignition, and backward integration.

Sector Outlook: Positive

Company Outlook & Guidance: Although **we have maintained our BUY rating on the stock, we have cut our estimates due to near-term input cost pressure.**

Current Valuation: 41x Sep'28E EPS (**Earlier Valuation: 47x Jun'28E EPS**).

Current TP: **Rs 2,520/share** (**Earlier TP: Rs 3,270/share**).

Recommendation: With a 10% upside from the CMP, we **maintain our BUY rating.**

Financial Performance: Asian Paints' consolidated revenue grew by ~17% YoY to Rs 9,977 Cr in Q2FY27. Gross margins contracted by 347 bps YoY to 39.7%, due to a steep cost increase. Meanwhile, EBITDA margins contracted by 201 bps YoY to 15.6%. Adjusted PAT grew by 7.5% YoY to Rs 1,068 Cr.

Key Financials (Consolidated)

(Rs Cr)	Q2FY27	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	9,977	(5.4)	16.9	9,676	3.1
EBITDA	1,557	(28.2)	3.6	1,664	(6.4)
EBITDA Margin (%)	15.6	-497 bps	-201 bps	17.2	-159 bps
Net Profit	1,068	(30.6)	7.5	1,135	(5.9)
EPS (Rs)	11.1	(30.6)	7.5	11.8	(5.9)

Source: Company, Axis Securities Research

(CMP as of 29th October, 2026)	
CMP (Rs)	2,299
Upside /Downside (%)	10%
High/Low (Rs)	2986/2116
Market cap (Cr)	2,20,491
Avg. daily vol.(6m)Shrs '000.	1037
No. of shares (Cr)	95.9

Shareholding (%)

	Mar-26	Jun-26	Sep-26
Promoter	52.6	52.6	52.7
FIIs	12.1	13.3	13.8
MFs / UTI	11.4	10.1	9.9
FIs / Banks	0.0	0.0	0.0
Others	23.8	23.9	23.6

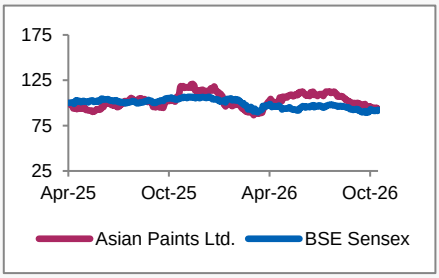
Financial & Valuations

Y/E Mar (Rs Cr)	FY26	FY27E	FY28E
Net Sales	35,584	39,422	43,813
EBITDA	6,696	6,992	8,053
Net Profit	4,483	4,767	5,531
EPS (Rs.)	46.7	49.7	57.7
PER (x)	49.2	46.3	39.9
EV/EBITDA (x)	33.1	31.8	27.5
P/BV (x)	10.3	9.9	9.2
ROE (%)	21.0	21.4	23.0

Change in Estimates (%)

Y/E Mar	FY27E	FY28E
Sales	-2%	-3%
EBITDA	-12%	-13%
PAT	-13%	-14%

Relative Performance



Source: Ace Equity, Axis Securities Research

Results Gallery

Q1FY27
Q4FY26
Q3FY26
Q2FY26

Suhanee Shome
Research Analyst
suhanee.shome@axissecurities.in

Urmi Shah
Research Associate
Urmi.shah@axissecurities.in

Outlook

We remain positive on the company's long-term prospects, supported by 1) Budget boost, which will lead to an increase in disposable income, 2) Decline in raw material prices, 3) Its announcement of setting up a VAE and VAM plant, and 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%, 5) Launch of differentiated next-generation emulsions and waterproofing products based on nanotechnology, and 6) Becoming official colour partner to Team India. We believe these steps are in the right direction to achieve the next growth phase and secure the company's market share in the long term. **Hence, we maintain our BUY rating on the stock; however, near-term inflationary cost pressure remains a key concern.**

Other Key Highlights

- **Home Décor Business:** The Home Décor segment, which contributes 4% of the company's India Decorative revenue, delivered a mixed performance during the quarter with Kitchen and Bath fitting performing better than White teak and Weatherseal segments. The Kitchen segment reported a revenue growth of 13% YoY to Rs 110 Cr in Q2FY27. Profitability remained under pressure, with a Profit Before Tax (PBT) loss of Rs 8 Cr. The Bath segment achieved a 19% revenue increase to Rs 94 Cr. PBT recorded a sharp turnaround, swinging to a profit of Rs 9 Cr from a loss of Rs 4 Cr in Q2FY26.

  Services and allied home décor offerings serve as key strategic differentiators, anchored by a retail footprint of 74 Beautiful Homes stores and studios. The direct-to-consumer flagship Beautiful Homes Painting Service drives consumer trust with an on-time completion guarantee or 20% money back, AI-led visualisation, tech supervision, and high customer delight scores. In specialised home décor categories during Q2FY27, uPVC doors and windows business, Weatherseal generated revenue of Rs 20 Cr, down 2% YoY, while decorative lighting brand White Teak reported revenue of Rs 23 Cr, down 12% YoY, which came lower than expected.

- **Industrial Business:** The segment delivered strong top-line momentum, though lower pass-through of cost increases dented margins. The first JV, PPGAP (covering auto and industrial segments), posted a 33.7% revenue growth to Rs 795 Cr in Q2FY27, with PBT up 9.9% to Rs 113 Cr, while the margins contracted by 309 bps to 14.2%. The second JV, APPPG (covering protective coatings and the powder segment), recorded a 28% revenue increase to Rs 375 Cr in Q2FY27, while PBT declined by 33.4% to Rs 17 Cr. Margins contracted by 425 bps to 4.6%.

- **International Business:** The International Business delivered a 30% revenue growth to Rs 1,096 Cr in Q2FY27 (up 23.7% in constant currency), driven by strong performance across regions, with growth led by UAE, Bangladesh, and Egypt. However, the segment absorbed the full impact of steep inflation during the quarter, resulting in a 31% YoY drop in PBT to Rs 53 Cr, with PBT margin narrowing by 422 bps to 4.8%. The business also drove premiumization through product launches, including Royale Infinity and Ultima Lamino in Sri Lanka, alongside Majestic across the UAE, Bahrain, Oman, and Qatar.

- **Commissioning VAE Plant at Dahej:** In Q2FY27, Asian Paints commissioned Phase 1 of its Vinyl Acetate-Ethylene (VAE) plant at Dahej, operationalising an annual capacity of 150,000 MT with a gross block addition of approximately Rs 1,060 Cr out of a planned total capital expenditure of Rs 3,250 Cr. The company aims to begin with part utlisation by Mar'27, and reach its complete utilisation by next year. The facility deploys unique green chemistry and indigenously developed, next-generation VAE emulsions formulated by the company's internal R&D, intended for rollout across a strategic set of existing and new products. Beyond setting up India's first integrated VAM-VAE ecosystem, this backward integration enables Asian Paints to accelerate new product innovation and differentiation while suppressing raw material costs, aiding margin expansion.

Key Risks to Our Estimates and TP

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

Change in Estimates

	Old		New		% Change	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	40,108	45,250	39,422	43,813	-2%	-3%
EBITDA	7,979	9,256	6,992	8,053	-12%	-13%
PAT	5,497	6,421	4,767	5,531	-13%	-14%
EPS	57.3	66.9	49.7	57.7	-13%	-14%

Source: Company, Axis Securities Research

Results Review

(Rs Cr)	Q2FY26	Q1FY27	Axis Sec Est	Q2FY27	YoY Growth %	QoQ Growth %	Axis Sec Var (%)
Domestic Volume growth est. (% YoY)	11%	9%	6%	6%	-5 bps	-3 bps	0 bps
Sales	**8,531**	**10,542**	**9,676**	**9,977**	**16.9**	**(5.4)**	**3.1**
Gross Profits	3,685	4,595	4,064	3,963	7.6	(13.8)	(2.5)
Gross Margin (%)	***43.2***	***43.6***	***42.0***	***39.7***	***-347 bps***	***-387 bps***	***-227 bps***
Staff costs	686	790	755	776	13.0	(1.9)	2.8
Other operating expenses	1,495	1,636	1,645	1,631	9.0	(0.4)	(0.9)
EBITDA	**1,503**	**2,169**	**1,664**	**1,557**	**3.6**	**(28.2)**	**(6.4)**
EBITDA margin (%)	***17.6***	***20.6***	***17.2***	***15.6***	***-201 bps***	***-497 bps***	***-159 bps***
Depreciation	305	304	307	314	2.9	3.1	2.1
Interest	44	48	48	55	26.3	15.8	14.7
Other Income	199	241	201	248	24.7	2.9	23.5
PBT	1,353	2,058	1,509	1,436	6.1	(30.2)	(4.9)
Minority Interest	(25)	(20)		(18)			
Share in profit of associate	38	38		42			
EO Items	-	-		-			
Provision for Tax	373	536	392	392	5.1	(26.8)	(0.0)
Tax rate (%)	27.6	26.1	26.0	27.3	-25 bps	127 bps	133 bps
Adj PAT	**994**	**1,539**	**1,135**	**1,068**	**7.5**	**(30.6)**	**(5.9)**
EPS (Rs.)	10.4	16.0	11.8	11.1	7.5	(30.6)	(5.9)

Source: Company, Axis Securities Research

Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E Mar, Rs Cr	FY26	FY27E	FY28E	FY29E
Net sales	**35,584**	**39,422**	**43,813**	**48,696**
Growth, %	4.9	10.8	11.1	11.1
Total income	35,584	39,422	43,813	48,696
Raw material expenses	-20,002	-22,862	-25,148	-27,789
Employee expenses	-2,800	-3,360	-4,031	-4,838
Other Operating Expenses	-6,086	-6,208	-6,580	-6,975
EBITDA (Core)	**6,696**	**6,992**	**8,053**	**9,094**
Growth, %	11.5	4.4	15.2	12.9
Margin, %	18.8	17.7	18.4	18.7
Depreciation	-1,229	-1,143	-1,263	-1,383
EBIT	**5,467**	**5,849**	**6,790**	**7,711**
Growth, %	9.8	7.0	16.1	13.6
Margin, %	15.4	14.8	15.5	15.8
Interest paid	-195	-352	-359	-366
Pre-tax profit	**6,003**	**6,476**	**7,507**	**8,529**
Tax provided	-1,609	-1,636	-1,900	-2,160
Net Profit	**4,325**	**4,767**	**5,531**	**6,288**
Growth, %	11.2	6.3	16.0	13.7
Net Profit (adjusted)	**448**	**477**	**553**	**629**
Unadj. shares (Cr)	96	96	96	96

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

As of 31st Mar, Rs Cr	FY26	FY27E	FY28E	FY29E
Cash & bank	1,074	716	1,251	2,558
Debtors	4,467	3,888	4,321	4,803
Inventory	5,744	7,560	8,402	9,339
Loans & advances	2	2	2	2
Other current assets	4,682	4,682	4,682	4,682
Total current assets	15,968	16,848	18,658	21,383
Investments	7,062	7,244	7,444	7,665
Net fixed assets	11,489	11,846	12,082	12,199
Total assets	**34,519**	**35,938**	**38,185**	**41,247**
Current liabilities	98,230	1,02,397	1,07,164	1,12,465
Total current liabilities	98,230	1,02,397	1,07,164	1,12,465
Non-current liabilities	2,681	2,681	2,681	2,681
Total liabilities	12,504	12,920	13,397	13,927
Paid-up capital	96	96	96	96
Reserves & surplus	21,276	22,205	23,899	26,351
Shareholders' equity	22,015	23,018	24,788	27,320
Total equity & liabilities	**34,519**	**35,938**	**38,185**	**41,247**

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E Mar (Rs Cr)	FY26	FY27E	FY28E	FY29E
Pre-tax profit	6,003	6,476	7,507	8,529
Depreciation	1,229	1,143	1,263	1,383
Chg in working capital	259	-821	-798	-888
Total tax paid	-1,610	-1,636	-1,900	-2,160
Cash flow from operating activities	**5,881**	**5,162**	**6,072**	**6,864**
Capital expenditure	-2,243	-1,500	-1,500	-1,500
Chg in investments	-2,337	-182	-200	-220
Cash flow from investing activities	**-4,415**	**-1,500**	**-1,500**	**-1,500**
Free cash flow	1,467	3,662	4,572	5,364
Equity raised/(repaid)	-516	0	0	0
Debt raised/(repaid)	1,430	0	0	0
Dividend (incl. tax)	-2,532	-3,837	-3,837	-3,837
Cash flow from financing activities	**-1,704**	**-3,837**	**-3,837**	**-3,837**
Net chg in cash	-238	-175	735	1,527
Opening cash balance	782	1,074	716	1,251
Closing cash balance	1,074	716	1,251	2,558

Source: Company, Axis Securities Research

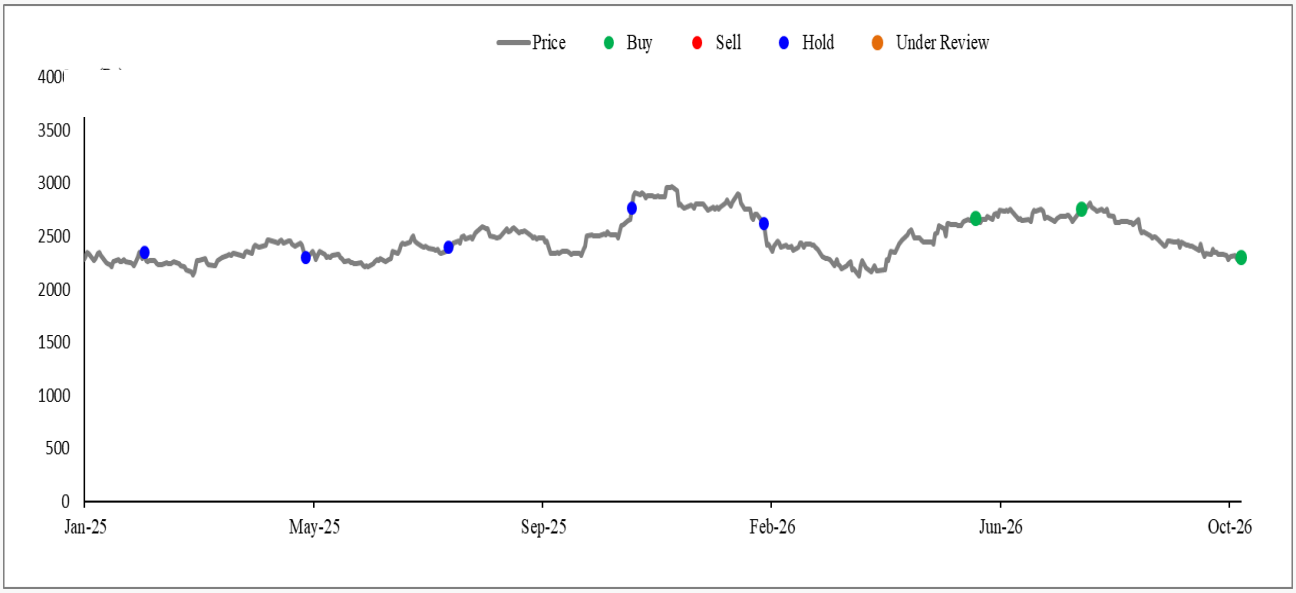
Ratio Analysis

(%)

Y/E Mar	FY26	FY27E	FY28E	FY29E
Per Share data				
EPS (Rs)	46.7	49.7	57.7	65.6
FDEPS (Rs)	46.7	49.7	57.7	65.6
CEPS (Rs)	61.2	61.6	70.8	80.0
CFPS (Rs)	52.0	43.6	52.1	59.2
DPS (Rs)	26.4	40.0	40.0	40.0
Return ratios				
Return on assets (%)	14.1	14.7	16.1	17.0
Return on equity (%)	21.0	21.4	23.0	23.8
Return on capital employed (%)	20.0	20.6	22.4	23.4
Turnover ratios				
Asset turnover (x)	2.2	2.3	2.4	2.5
Sales/Total assets (x)	1.1	1.1	1.2	1.2
Sales/Net FA (x)	3.2	3.4	3.7	4.0
Working capital/Sales (x)	0.1	0.1	0.2	0.2
Liquidity ratios				
Current ratio (x)	1.6	1.6	1.7	1.9
Quick ratio (x)	1.0	0.9	1.0	1.1
Interest cover (x)	28.0	16.6	18.9	21.1
Net debt/Equity (%)	0.1	0.1	0.0	(0.0)
Valuation				
PER (x)	49.2	46.3	39.9	35.1
Price/Book (x)	10.3	9.9	9.2	8.3
EV/Net sales (x)	6.2	5.6	5.1	4.5
EV/EBITDA (x)	33.1	31.8	27.5	24.2
EV/EBIT (x)	40.6	38.0	32.6	28.6

Source: Company, Axis Securities Research

Asian Paints Price Chart and Recommendation History



Date	Reco	TP	Research
05-Feb-25	HOLD	2,440	Result Update
09-May-25	HOLD	2,120	Result Update
30-Jul-25	HOLD	2,420	Result Update
13-Nov-25	HOLD	2,990	Result Update
28-Jan-26	HOLD	2,700	Result Update
01-Jun-26	BUY	3,130	Result Update
30-Jul-26	BUY	3,270	Result Update
30-Oct-26	BUY	2,520	Result Update

Source: Axis Securities Research

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

Registered Office Address – Axis Securities Ltd., Unit 002(A), Amiti Building, Piramal Corporate Park, Kamani Junction, LBS Marg, Kurla (West), Mumbai – 400070.

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

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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 a 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, valuations or recommendations for the stock.

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