AXIS DIRECT

Result Update
1st June, 2026

Asian Paints Ltd
Consumer Discretionary

BUY
Target Price
3,130

Volume-led Recovery with Disciplined Execution; Upgrade to BUY

Est. Vs. Actual for Q4FY26: Revenue – BEAT; EBITDA – BEAT; PAT – BEAT

Changes in Estimates Post Q4FY26

FY27E/FY28E: Revenue: 2%/6%; **EBITDA:** 4%/8%; **PAT:** 11%/13%

Recommendation Rationale

- **Result Performance:** Asian Paints reported a 10.6% YoY rise in consolidated revenue for Q4FY26, driven by robust double-digit volume growth. The Indian decorative business bounced back with 12.4% volume growth and 10.2% revenue growth, reflecting a strong demand uptick in a seasonally strong quarter, with rural growth outpacing urban, and improved off-take in the PreLux portfolio boosting realisations. Despite elevated competitive intensity and subdued overall demand, disciplined execution drove performance, while the international business grew 8.2% in constant currency terms, driven by steady traction in the UAE, Sri Lanka, and Egypt, as well as resilience in the Middle East. Meanwhile, new product contribution improved to ~17% of overall revenues.
- **Margins Outlook:** Despite the war, gross margins improved, aided by raw material deflation of ~1.4% and cost efficiencies, which caused the gross margins to touch 44.8%. Consequently, EBITDA Margins improved, aided by improved margins and cost optimisation measures. Management is confident of maintaining a margin guidance of 8%-10%.
- **Demand Outlook:** Despite near-term macro volatility and inflationary risks from the West Asia conflict, demand conditions remain steady. Asian Paints aims to sustain its growth momentum through disciplined execution amid intense competition. Growth will likely be driven by structural tailwinds in Industrial Coatings and steady progress abroad, despite localised challenges. The company aims at an 8%-10% volume growth supported by a longer Diwali and festive period. To counter raw material inflation and currency depreciation, Asian Paints is leveraging agile sourcing, cost optimisation, and taking calibrated price hikes, including a cumulative ~10.4% price increase in the Indian decorative segment.

Sector Outlook: Positive

Company Outlook & Guidance: Despite inflationary risks stemming from the West Asia conflict, we expect demand conditions to remain resilient, with the company continuing to outpace industry volume growth. Accordingly, we revise our FY27/FY28 earnings estimates upward and **upgrade the stock to BUY.**

Current Valuation: 47x Mar'28E EPS (Earlier Valuation: 47x Dec'27E EPS).

Current TP: **Rs 3,130/share** (**Earlier TP: Rs 2,700/share**).

Recommendation: With an upside of 17% from the CMP, we **upgrade the stock to BUY.**

Financial Performance: Asian Paints' consolidated revenue grew by 10.6% YoY to Rs 9,247 Cr in Q4FY26. Gross margins improved by 87 bps YoY to 44.8%, aided by a ~1.4% benefit from material cost deflation. Meanwhile, EBITDA margins improved by 214 bps YoY to 19.3%, led by cost efficiency measures and gross margin expansion. However, Adjusted PAT grew by 69.3% YoY to Rs 1,172 Cr.

Key Financials (Consolidated)

(Rs Cr)	Q4FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	9,247	4.3	10.6	8,707	6.2
EBITDA	1,787	0.3	24.4	1,418	26.0
EBITDA Margin (%)	19.3	-76 bps	214 bps	16.3	304 bps
Net Profit	1,172	10.6	69.3	906	29.4
EPS (Rs)	12.2	10.6	69.3	9.4	29.4

Source: Company, Axis Securities Research

(CMP as of 29th May, 2026)

CMP (Rs)	2,672
Upside /Downside (%)	17%
High/Low (Rs)	2985/2116
Market cap (Cr)	2,56,307
Avg. daily vol.(6m)Shrs '000.	1368
No. of shares (Cr)	95

Shareholding (%)

	Sep-25	Dec-25	Mar-26
Promoter	52.6	52.6	52.6
FIIs	11.6	12.8	12.1
MFs / UTI	10.9	10.7	11.4
FIs / Banks	0.0	0.0	0.0
Others	24.8	23.9	23.8

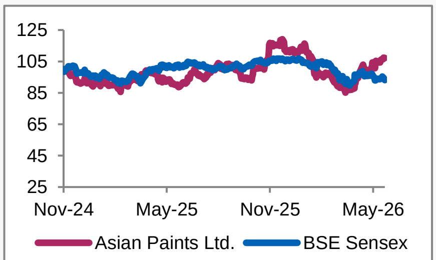
Financial & Valuations

Y/E Mar (Rs Cr)	FY26	FY27E	FY28E
Net Sales	35,584	39,630	44,153
EBITDA	6,696	7,970	9,095
Net Profit	4,483	5,677	6,386
EPS (Rs.)	46.7	59.2	66.6
PER (x)	57.2	45.1	40.1
EV/EBITDA (x)	38.5	32.3	28.2
P/BV (x)	12.0	15.6	13.5
ROE (%)	21.0	34.5	33.6

Change in Estimates (%)

Y/E Mar	FY27E	FY28E
Sales	2%	6%
EBITDA	4%	8%
PAT	11%	13%

Relative Performance



Source: Ace Equity, Axis Securities

Results Gallery
Q3FY26
Q2FY26
Q1FY26
Q4FY25

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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) The company's 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. Further, early signs of recovery are already visible, and **hence we upgrade the stock to BUY.**

Other Key Highlights

- **Partnership with BCCI:** Management highlighted the BCCI partnership as a strategically strong association, offering year-round, high-impact visibility through cricket, one of India's most widely followed sports. This partnership provides meaningful brand leverage, further supported by ongoing innovation in marketing initiatives, including distinctive in-game integrations such as Colour Countdown and Colour Cam, aimed at enhancing recall and visibility across events and sponsorships.
- **Home Décor Business:** Asian Paints' Home Décor segment progressing towards a profitable Home décor ecosystem. The Kitchen and Bath businesses saw revenue improvement of 16.5% and 4%, respectively. White Teak posted a sharp 16.8% YoY increase in sales, and Weatherseal delivered a robust 25% growth, supported by a broader product portfolio, improved distribution, and synergies with the Beautiful Homes network.
- **Industrial Business**: Asian Paints' industrial business delivered a healthy growth uptick in Q4FY26. PPGAP revenue increased 20.9% YoY to Rs 586 Cr, supported by strong performance in Automotive and General Industrial coatings. PBT margin stood 12.2% for the quarter, 10 bps higher YoY. APPPG revenue grew 15% YoY to Rs 399 Cr, driven by the Protective Coatings segment. PBT margin were 7.3% for the quarter, 100 bps lower YoY.
- **International Business:** Asian Paints' international business delivered a good performance in Q4FY26, with sales rising 11% YoY to Rs 888 Cr (8.2% growth in constant currency), led by strong momentum in Sri Lanka, UAE, and Egypt. Despite the impact of the West Asia conflict, Middle East operations delivered a resilient performance. Profitability improved sharply, with PBT surging to Rs 75 Cr, up 97%, supported by material deflation and aided by the disinvestment of loss-making operations in Indonesia. PBT margin were 8.5% for the quarter; an improvement of 370 bps YoY.

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	38,887	41,540	39,630	44,153	2%	6%
EBITDA	7,633	8,397	7,970	9,095	4%	8%
PAT	5,109	5,656	5,677	6,386	11%	13%
EPS	53.3	59	59.2	66.6	11%	13%

Source: Company, Axis Securities Research

Results Review

(Rs Cr)	Q4FY25	Q3FY26	Axis sec Est	Q4FY26	YoY Growth %	QoQ Growth %	Axis Sec Var (%)
Domestic Volume growth est. (% YoY)	2%	8%	9%	12%	11 bps	5 bps	4 bps
Sales	**8,359**	**8,867**	**8,707**	**9,247**	**10.6**	**4.3**	**6.2**
Gross Profits	3,672	3,938	3,814	4,143	12.8	5.2	8.6
Gross Margin (%)	***43.9***	***44.4***	***43.8***	***44.8***	***87 bps***	***39 bps***	***101 bps***
Staff costs	631	689	695	721	14.2	4.6	3.8
Other operating expenses	1,605	1,468	1,701	1,636	1.9	11.4	(3.8)
EBITDA	**1,436**	**1,781**	**1,418**	**1,787**	**24.4**	**0.3**	**26.0**
EBITDA margin (%)	***17.2***	***20.1***	***16.3***	***19.3***	***214 bps***	***-76 bps***	***304 bps***
Depreciation	301	313	316	310	2.9	(1.0)	(2.0)
Interest	53	48	48	59	12.0	23.3	22.1
Other Income	100	161	101	171	71.6	6.4	69.9
PBT	1,182	1,581	1,154	1,589	34.4	0.5	37.7
Minority Interest	(9)	(14)		(13)			
Share in profit of associate	23	66		25			
EO Items	(1,830)	(158)		-			
Provision for Tax	321	415	300	429	33.4	3.2	42.8
Tax rate (%)	27.2	26.3	26.0	27.0	-21 bps	72 bps	98 bps
Adj PAT	**692**	**1,060**	**906**	**1,172**	**69.3**	**10.6**	**29.4**
EPS (Rs.)	7.2	11.0	9.4	12.2	69.3	10.6	29.4

Source: Company, Axis Securities Research

Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E Mar, Rs Cr	FY25	FY26	FY27E	FY28E
Net sales	**33,906**	**35,584**	**39,630**	**44,153**
Growth, %	(4.5)	4.9	11.4	11.4
Total income	33,906	35,584	39,630	44,153
Raw material expenses	-19,516	-20,002	-22,202	-24,644
Employee expenses	-2,597	-2,800	-3,220	-3,863
Other Operating Expenses	-5,786	-6,086	-6,238	-6,550
EBITDA (Core)	**6,006**	**6,696**	**7,970**	**9,095**
Growth, %	(20.8)	11.5	19.0	14.1
Margin, %	17.7	18.8	20.1	20.6
Depreciation	-1,026	-1,229	-862	-1,095
EBIT	**4,980**	**5,467**	**7,108**	**8,000**
Growth, %	(26.0)	9.8	30.0	12.5
Margin, %	14.7	15.4	17.9	18.1
Interest paid	-227	-195	-352	-359
Pre-tax profit	**5,103**	**6,003**	**7,706**	**8,662**
Tax provided	-1,393	-1,609	-1,956	-2,200
Net Profit	**3,667**	**4,325**	**5,677**	**6,386**
Growth, %	(26.2)	11.2	26.6	12.5
Net Profit (adjusted)	**403**	**448**	**568**	**639**
Unadj. shares (Cr)	96	96	96	96

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

As of 31st Mar, Rs Cr	FY25	FY26	FY27E	FY28E
Cash & bank	782	1,074	1,307	2,505
Debtors	4,322	4,467	3,909	4,355
Inventory	6,719	5,744	7,600	8,468
Loans & advances	0	2	2	2
Other current assets	3,332	4,682	4,682	4,682
Total current assets	15,156	15,968	17,500	20,011
Investments	4,725	7,062	7,244	7,444
Net fixed assets	10,475	11,489	5,392	5,797
Total assets	**30,355**	**34,519**	**30,136**	**33,252**
Current liabilities	90,437	98,230	1,02,623	1,07,533
Total current liabilities	90,437	98,230	1,02,623	1,07,533
Non-current liabilities	1,253	2,681	2,681	2,681
Total liabilities	10,296	12,504	12,943	13,434
Paid-up capital	96	96	96	96
Reserves & surplus	19,304	21,276	16,381	18,930
Shareholders’ equity	20,059	22,015	17,193	19,818
Total equity & liabilities	**30,355**	**34,519**	**30,136**	**33,252**

Source: Company, Axis Securities Research

Cash Flow (Rs Cr)

Y/E Mar (Rs Cr)	FY25	FY26	FY27E	FY28E
Pre-tax profit	5,103	6,003	7,706	8,662
Depreciation	1,026	1,229	862	1,095
Chg in working capital	12	259	-859	-822
Total tax paid	-1,333	-1,610	-1,956	-2,200
Cash flow from operating activities	**4,808**	**5,881**	**5,753**	**6,735**
Capital expenditure	-1,656	-2,243	5,235	-1,500
Chg in investments	-137	-2,337	-182	-200
Cash flow from investing activities	**-1,652**	**-4,415**	**5,235**	**-1,500**
Free cash flow	3,156	1,467	10,988	5,235
Equity raised/(repaid)	115	1,972	-1,972	0
Debt raised/(repaid)	-243	1,430	0	0
Dividend (incl. tax)	-2,532	-2,532	-3,837	-3,837
Cash flow from financing activities	**-2,739**	**784**	**-5,809**	**-3,837**
Net chg in cash	417	2,250	5,179	1,398
Opening cash balance	1,084	782	1,074	1,307
Closing cash balance	782	1,074	1,307	2,505

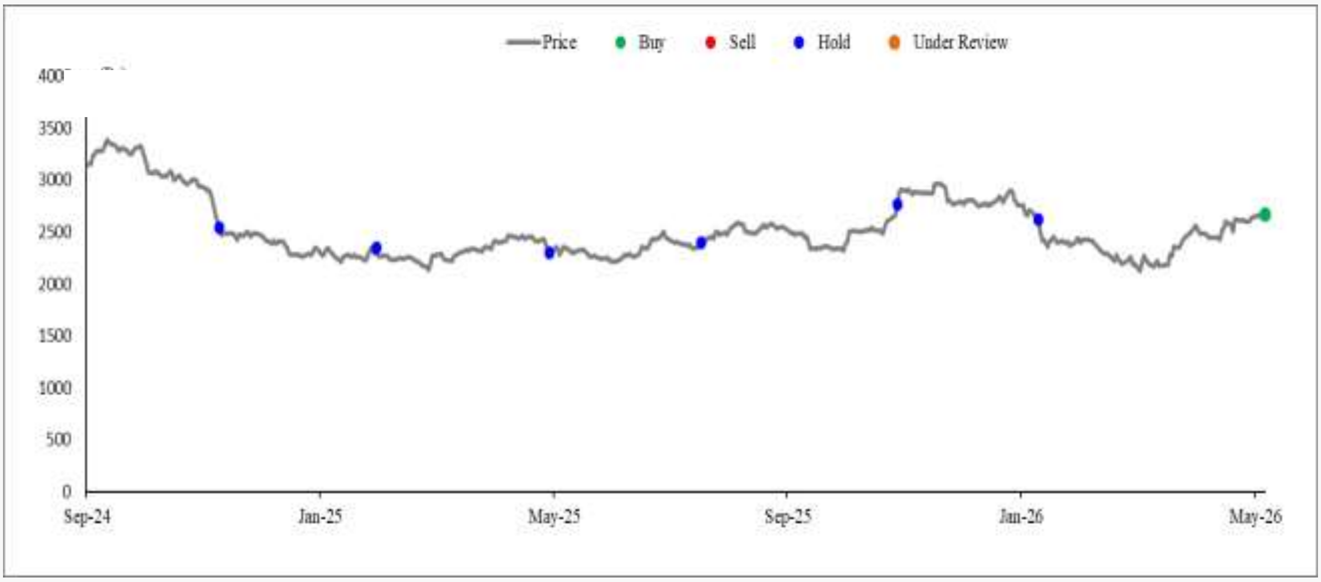
Source: Company, Axis Securities Research

Ratio Analysis (%)

Y/E Mar	FY25	FY26	FY27E	FY28E
Per Share data				
EPS (Rs)	42.0	46.7	59.2	66.6
FDEPS (Rs)	42.0	46.7	59.2	66.6
CEPS (Rs)	56.5	61.2	68.2	78.0
CFPS (Rs)	42.7	52.0	50.1	59.6
DPS (Rs)	26.4	26.4	40.0	40.0
Return ratios				
Return on assets (%)	13.1	14.1	18.9	21.5
Return on equity (%)	20.8	21.0	34.5	33.6
Return on capital employed (%)	18.7	20.0	27.4	32.2
Turnover ratios				
Asset turnover (x)	2.2	2.2	2.8	3.7
Sales/Total assets (x)	1.1	1.1	1.2	1.4
Sales/Net FA (x)	3.3	3.2	4.7	7.9
Working capital/Sales (x)	0.2	0.1	0.1	0.2
Liquidity ratios				
Current ratio (x)	1.7	1.6	1.7	1.9
Quick ratio (x)	0.9	1.0	1.0	1.1
Interest cover (x)	21.9	28.0	20.2	22.3
Net debt/Equity (%)	0.0	0.1	0.1	(0.0)
Valuation				
PER (x)	63.6	57.2	45.1	40.1
Price/Book (x)	13.2	12.0	15.6	13.5
EV/Net sales (x)	7.6	7.2	6.5	5.8
EV/EBITDA (x)	42.7	38.5	32.3	28.2
EV/EBIT (x)	51.5	47.1	36.2	32.0

Source: Company, Axis Securities Research

Asian Paints Price Chart and Recommendation History



Date	Reco	TP	Research
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
13-Nov-25	HOLD	2,990	Result Update
28-Jan-26	HOLD	2,700	Result Update
01-Jun-26	BUY	3,130	Result Update

Source: Axis Securities Research

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