

Sluggish Demand Continues with Intense Competition; Maintain HOLD

Changes in Estimates Post Q3FY26

FY27E/FY28E: Revenue: -1%/-2%; **EBITDA:** -7%/-11%; **PAT:** -7%/-12%

Recommendation Rationale

- Result Performance:** Asian Paints reported a 3.7% YoY rise in consolidated revenue in Q3FY26, impacted by a shorter festive season and prolonged monsoon in select regions. The Indian decorative business delivered 7.9% volume growth, though revenue grew modestly by 2.8%, reflecting pricing and mix pressures. Performance was supported by disciplined execution across growth initiatives despite elevated competitive intensity and subdued demand, with rural growth marginally outpacing urban. The industrial coatings segment posted healthy double-digit growth, while the international business grew 6.3%, led by steady traction in the UAE, Sri Lanka, and Ethiopia.
- Demand Outlook:** The company aims to sustain growth momentum while closely monitoring demand trends amid elevated competitive intensity. Focused execution across key initiatives, improving traction in the industrial segment supported by continued infrastructure spending, and steady contribution from international operations are expected to aid growth. However, geopolitical risks and currency volatility remain key factors that could influence input costs.
- Margins Outlook:** Despite higher discounting and an unfavourable mix, gross margins improved, aided by raw material deflation. Management does not plan any near-term pricing actions given input cost volatility, while remaining watchful as select peers adopt short-term pricing strategies that are viewed as unsustainable.

Sector Outlook: Cautious

Company Outlook & Guidance: Estimates for FY27/FY28 have been revised downward in light of sustained demand weakness and an increasingly competitive environment. Accordingly, we retain a cautious outlook and **maintain our HOLD rating on the stock.**

Current Valuation: 47x Dec'27E EPS (Earlier Valuation: 48x Sep'27E EPS).

Current TP: Rs 2,700/share (Earlier TP: Rs 2,990/share).

Recommendation: With an upside of 3% from the CMP, we **maintain our HOLD rating** on the stock.

Financial Performance: Asian Paints' consolidated revenue grew by 3.7% YoY to Rs 8,867 Cr in Q3FY26. Gross margins improved by 197 bps YoY to 44.4%, aided by a ~1.1% benefit from material cost deflation. Meanwhile, EBITDA margins improved by 94 bps YoY to 20.1%, led by cost efficiency measures and gross margin expansion. However, Adjusted PAT declined by 4.6% YoY to Rs 1,060 Cr due to exceptional items.

Key Financials (Consolidated)

(Rs Cr)	Q3FY26	QoQ (%)	YoY (%)
Net Sales	8,867	3.9	3.7
EBITDA	1,781	18.5	8.8
EBITDA Margin (%)	20.1	246 bps	94 bps
Net Profit	1,060	6.7	(4.6)
EPS (Rs)	11.0	6.7	(4.6)

Source: Company, Axis Research

(CMP as of 27th January, 2026)

CMP (Rs)	2,625
Upside /Downside (%)	3%
High/Low (Rs)	2985/2125
Market cap (Cr)	2,51,779
Avg. daily vol.(6m)Shrs '000.	1290
No. of shares (Cr)	95

Shareholding (%)

	Jun-25	Sep-25	Dec-25
Promoter	52.6	52.6	52.6
FII's	11.9	11.6	12.8
MFs / UTI	10.8	10.9	10.7
FIs / Banks	0.0	0.0	0.0
Others	24.7	24.8	23.9

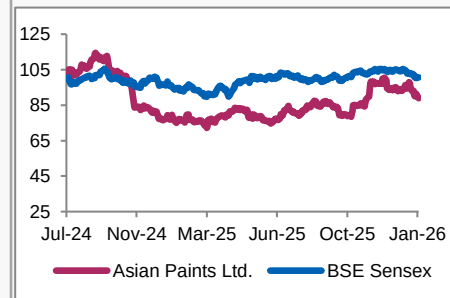
Financial & Valuations

Y/E Mar (Rs Cr)	FY26E	FY27E	FY28E
Net Sales	36,404	38,887	41,540
EBITDA	6,888	7,633	8,397
Net Profit	4,579	5,109	5,656
EPS (Rs.)	47.7	53.3	59.0
PER (x)	55.0	49.3	44.5
EV/EBITDA (x)	36.3	32.6	29.4
P/BV (x)	12.5	11.8	10.8
ROE (%)	22.7	23.9	24.3

Change in Estimates (%)

Y/E Mar	FY27E	FY28E
Sales	-1%	-2%
EBITDA	-7%	-11%
PAT	-7%	-12%

Relative Performance



Source: Ace Equity, Axis Securities

Results Gallery

[Q2FY26](#)
[Q1FY26](#)
[Q4FY25](#)
[Q3FY25](#)

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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%; 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. **While early signs of recovery are encouraging, the prevailing competitive intensity warrants a cautious stance. Consequently, we maintain our HOLD rating on the stock.**

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 3% and 4%, respectively. White Teak posted a sharp 12% YoY increase in sales, whereas Weatherseal delivered a robust 59% 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 Q3FY26. PPGAP revenue increased 16.9% YoY to Rs 713 Cr, supported by strong performance in Automotive and General Industrial coatings. APPPG revenue grew 16.5% YoY to Rs 307 Cr, driven by the Protective Coatings segment.
- **International Business:** Asian Paints' international business delivered a good performance in Q3FY26, with sales rising 6% YoY to Rs 870 Cr (4.2% growth in constant currency), led by strong momentum in Sri Lanka, UAE, and Ethiopia. Profitability improved sharply, with PBT surging to Rs 77 Cr, up 26%, supported by material deflation and aided by the disinvestment of loss-making operations in Indonesia.

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	39,444	42,568	38,887	41,540	-1%	-2%
EBDTDA	8,191	9,425	7,633	8,397	-7%	-11%
PAT	5,522	6,418	5,109	5,656	-7%	-12%
EPS	57.6	66.9	53.3	59.0	-8%	-12%

Source: Company, Axis Securities

Results Review

(Rs Cr)	Q3FY25	Q2FY26	Q3FY26	YoY Growth %	QoQ Growth %
Domestic Volume growth est. (% YoY)	2%	11%	6 bps	-3 bps	5 bps
Sales	8,549	8,531	3.7	3.9	9.4
Gross Profits	3,629	3,685	8.5	6.9	14.4
Gross Margin (%)	42.4	43.2	197 bps	122 bps	191 bps
Staff costs	615	686	12.1	0.5	(3.9)
Other operating expenses	1,377	1,495	6.6	(1.8)	2.0
EBITDA	1,637	1,503	8.8	18.5	38.3
EBITDA margin (%)	19.1	17.6	94 bps	246 bps	419 bps
Depreciation	256	305	22.5	2.7	4.1
Interest	56	44	(14.1)	9.3	6.7
Other Income	143	199	12.6	(18.9)	(8.1)
PBT	1,468	1,353	7.7	16.8	41.5
Minority Interest	(18)	(25)			
Share in profit of associate	50	38			
EO Items	-	-			
Provision for Tax	390	373	6.5	11.2	42.9
Tax rate (%)	26.5	27.6	-28 bps	-132 bps	26 bps
Adj PAT	1,110	994	(4.6)	6.7	25.3
EPS (Rs.)	11.6	10.4	(4.6)	6.7	25.3

Source: Company, Axis Securities

Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
Net sales	33,906	36,404	38,887	41,540
Growth, %	(4.5)	7.4	6.8	6.8
Total income	33,906	36,404	38,887	41,540
Raw material expenses	-19,516	-20,648	-21,887	-23,200
Employee expenses	-2,597	-2,909	-3,258	-3,682
Other Operating Expenses	-5,786	-5,960	-6,109	-6,262
EBITDA (Core)	6,006	6,888	7,633	8,397
Growth, %	(20.8)	14.7	10.8	10.0
Margin, %	17.7	18.9	19.6	20.2
Depreciation	-1,026	-1,247	-1,327	-1,406
EBIT	4,980	5,640	6,306	6,990
Growth, %	(26.0)	13.3	11.8	10.8
Margin, %	14.7	15.5	16.2	16.8
Interest paid	-227	-232	-236	-241
Pre-tax profit	5,103	6,193	6,908	7,644
Tax provided	-1,393	-1,570	-1,752	-1,939
Net Profit	3,667	4,579	5,109	5,656
Growth, %	(26.2)	13.6	11.6	10.7
Net Profit (adjusted)	403	458	511	566
Unadj. shares (Cr)	96	96	96	96

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

As of 31st Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
Cash & bank	782	2,614	3,851	5,669
Debtors	4,322	3,591	3,835	4,097
Inventory	6,719	6,982	7,458	7,966
Loans & advances	0	0	0	0
Other current assets	3,332	3,332	3,332	3,332
Total current assets	15,156	16,519	18,476	21,065
Investments	4,725	4,880	5,050	5,237
Net fixed assets	10,475	10,027	9,501	8,894
Total assets	30,355	31,425	33,027	35,196
Current liabilities	90,437	93,272	96,089	99,100
Total current liabilities	90,437	93,272	96,089	99,100
Non-current liabilities	1,253	1,253	1,253	1,253
Total liabilities	10,296	10,580	10,861	11,163
Paid-up capital	96	96	96	96
Reserves & surplus	19,304	20,046	21,318	23,138
Shareholders' equity	20,059	20,846	22,165	24,034
Total equity & liabilities	30,355	31,425	33,027	35,196

Source: Company, Axis Securities

Cash Flow
(Rs Cr)

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E	FY28E
Pre-tax profit	5,103	6,193	6,908	7,644
Depreciation	1,026	1,247	1,327	1,406
Chg in working capital	12	753	-439	-469
Total tax paid	-1,333	-1,570	-1,752	-1,939
Cash flow from operating activities	4,808	6,624	6,044	6,642
Capital expenditure	-1,656	-800	-800	-800
Chg in investments	-137	-155	-170	-187
Cash flow from investing activities	-1,652	-800	-800	-800
Free cash flow	3,156	5,824	5,244	5,842
Equity raised/(repaid)	115	0	0	0
Debt raised/(repaid)	-243	0	0	0
Dividend (incl. tax)	-2,532	-3,837	-3,837	-3,837
Cash flow from financing activities	-2,739	-3,837	-3,837	-3,837
Net chg in cash	417	1,987	1,407	2,006
Opening cash balance	1,084	782	2,614	3,851
Closing cash balance	782	2,614	3,851	5,669

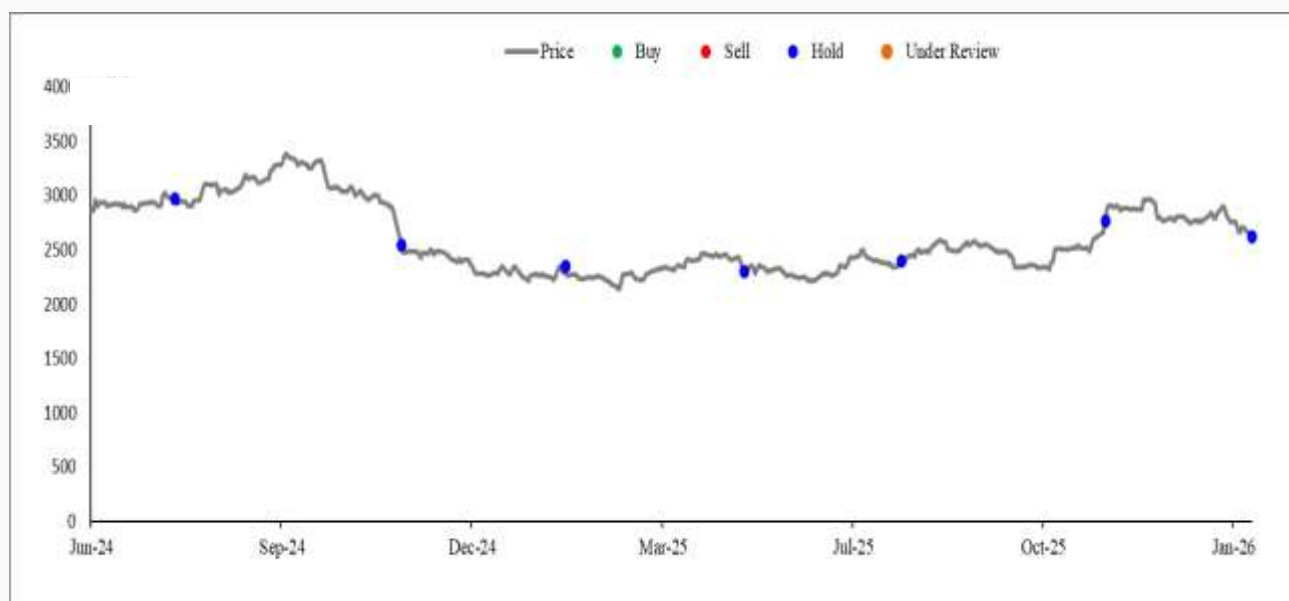
Source: Company, Axis Securities

Ratio Analysis
(%)

Y/E Mar	FY25	FY26E	FY27E	FY28E
Per Share data				
EPS (Rs)	42.0	47.7	53.3	59.0
FDEPS (Rs)	42.0	47.7	53.3	59.0
CEPS (Rs)	56.5	60.7	67.1	73.6
CFPS (Rs)	42.7	60.9	54.3	59.9
DPS (Rs)	26.4	40.0	40.0	40.0
Return ratios				
Return on assets (%)	13.1	15.7	16.7	17.4
Return on equity (%)	20.8	22.7	23.9	24.3
Return on capital employed (%)	18.7	22.4	23.7	24.4
Turnover ratios				
Asset turnover (x)	2.2	2.4	2.7	2.9
Sales/Total assets (x)	1.1	1.2	1.2	1.2
Sales/Net FA (x)	3.3	3.6	4.0	4.5
Working capital/Sales (x)	0.2	0.1	0.1	0.1
Liquidity ratios				
Current ratio (x)	1.7	1.8	1.9	2.1
Quick ratio (x)	0.9	1.0	1.1	1.3
Interest cover (x)	21.9	24.4	26.7	29.0
Net debt/Equity (%)	0.0	(0.1)	(0.1)	(0.2)
Valuation				
PER (x)	62.5	55.0	49.3	44.5
Price/Book (x)	13.0	12.5	11.8	10.8
EV/Net sales (x)	7.4	6.9	6.4	5.9
EV/EBITDA (x)	41.9	36.3	32.6	29.4
EV/EBIT (x)	50.6	44.3	39.5	35.3

Source: Company, Axis Securities

Asian Paints Price Chart and Recommendation History



Date	Reco	TP	Research
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
13-Nov-25	HOLD	2,990	Result Update
28-Jan-26	HOLD	2,700	Result Update

Source: Axis Securities

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