

Kansai Nerolac Paints Ltd.

HOLD

Sector: Paints

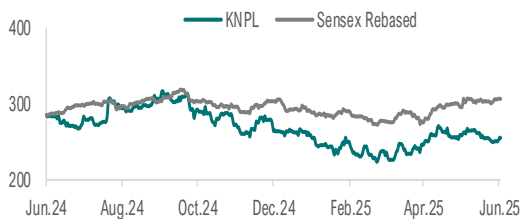
24th June 2025

Key Changes	Target ▲	Rating ●	Earnings ▼	Target	Rs.263		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs.239
Small Cap	KNPL:IN	81,897	KANSAINER	500165	12 Months	Return	+10%

Data as of: 23-06-2025

Company Data			
Market Cap (Cr)	19,300		
52 Week High — Low (Rs.)	321-218		
Enterprise Value (cr)	18,221		
Outstanding Shares (Rs cr)	80.8		
Free Float (%)	25.0		
Dividend Yield (%)	1.07		
6m average volume (cr)	0.06		
Beta	0.61		
Face value (Rs)	1		
Shareholding (%)	Q2FY25	Q3FY25	Q4FY25
Promoters	75.0	75.0	75.0
FII's	5.6	5.4	5.3
MFs/Insti	10.3	10.2	10.1
Public	9.2	9.4	9.6
Total	100.0	100.0	100.0
Promoter Pledge (%)	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-16%	-24%	-17.9%
Absolute Sensex	-9%	-8%	0%
Relative Return*	-7%	-15%	-18%

*over- or underperformance to benchmark index



Consolidated (cr)	FY25A	FY26E	FY27E
Sales	7,823	8,300	8,881
Growth (%)	0.3	6.1	7.0
EBITDA	942	1,062	1,155
EBITDA Margin(%)	12.0	12.8	13.0
PAT Adj.	480	710	789
Growth (%)	-6.8	48.0	11.2
Adj.EPS	5.9	8.8	9.8
Growth (%)	-6.8	48.0	11.2
P/E	40.2	27.2	24.5
P/B	3.7	3.4	3.0
EV/EBITDA	19.3	16.8	15.0
ROE (%)	9.5	13.0	13.1
D/E	0.0	0.0	0.0

Author: Antu Eapan Thomas - Sr. Research Analyst

Decorative volume is picking up...

Kansai Nerolac Paints Ltd (KNPL) is the market leader in industrial paints and one of the largest decorative paint company in India.

- KNPL registered a mid-single digit (~5.5%) volume growth in Q4FY25 aided by a gradual recovery in the decorative paint business. However, value growth remains muted due to a weak product mix, which restricts the revenue growth to 2.7% YoY in Q4FY25.
- The industrial paint business witnessed healthy growth with high single-digit growth led by 2Ws & 3Ws, while CVs and tractors have lagged.
- Gross margin improved by 22 bps YoY to 34.6% due to benign input prices, while EBITDA margin declined by 99 bps YoY to 9.1% on account of higher employee costs and marketing spend.
- Despite higher competition, the company maintains its EBITDA margin guidance of 13 to 14% for FY26 due to premiumization.
- We expect competition intensity is likely to persist in the short term, however, the demand scenario may pick up due to better forecasts on monsoon and moderation in inflation, which may drive the decorative demand.

Outlook & Valuation

We reduce our FY26/FY27 revenue and PAT estimate by 1%/3% and ~2%/4%, respectively to factor in the near-term competition pressure. We expect a pickup in the industrial segment, especially the auto segment, led by 2W and 3W, and the tractor segment, led by rural demand. While performance coating growth is driven by growth in infrastructure and demand for high-quality durable coating. With the entry of a new player and intensified competition through pricing and brand spend, we remain cautious on the stock. **We maintain a HOLD rating with a revised target price of Rs. 263, based on a P/E of 27x on FY27E EPS.**

Quarterly Financials Consol.

Rs.cr	Q4FY25	Q4FY24	YoY Growth (%)	Q3FY25	QoQ Growth (%)	FY25	FY24	YoY Growth (%)
Sales	1,817	1,769	2.7	1,922	-5.5	7,823	7,801	0.3
EBITDA	166	179	-7.4	235	-29.5	942	1,028	-8.3
Margin (%)	9.1	10.1	-99bps	12.2	-311bps	12.0	13.2	-113bps
EBIT	114	131	-12.9	182	-37.2	741	837	-11.5
PBT	144	157	-8.3	844	-83.0	1,478	1,561	-5.3
Rep. PAT	102	114	-10.4	662	-84.5	1,109	1,176	-5.6
Adj PAT	102	114	-10.4	33	212.7	480	515	-6.8
EPS (Rs)	1.3	1.4	-10.4	0.4	212.7	5.9	6.4	-6.8



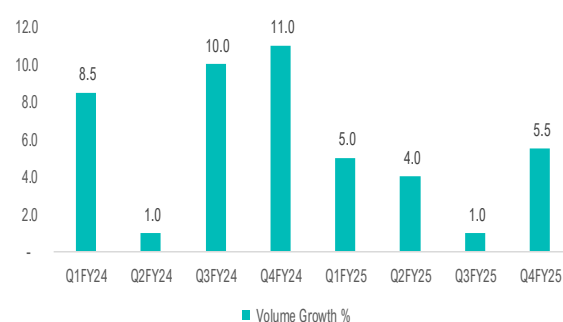
Key Concall Highlights

- Vizag Phase 1 was commissioned & production started in FY25.
- Automotive business growth was faster, led by the 2W and 3W segments. The management expects the passenger vehicle and 2-wheeler segments to continue the demand momentum.
- Performance Coating is expected to remain strong on the back of a good order pipeline.
- The company expects an EBITDA margin of 13-14% for FY26 on account of premiumization and a stability in the demand.
- Decorative paint demand saw a gradual recovery; Q4 volume was better compared to Q3, and we expect a recovery in H2FY26 on account of a better monsoon and improvement in discretionary spending.
- As per the management, the key drivers for the growth will be premiumization and the Paint+ business; the salience of the Paint+ product is in double digits now.

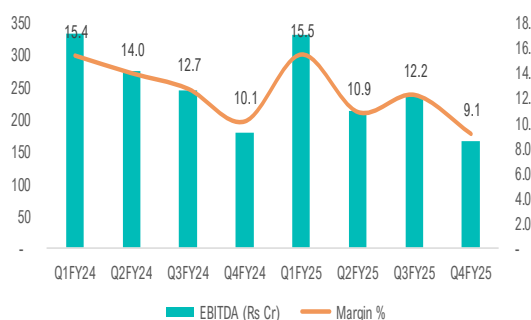
Revenue



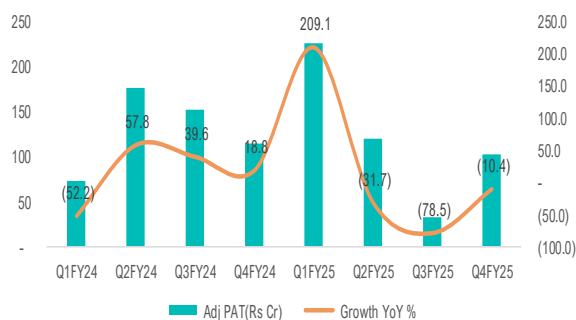
Volume Growth



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	8,421	9,179	8,300	8,881	-1.4	-3.2
EBITDA	1,078	1,193	1,062	1,155	-1.4	-3.2
Margins (%)	12.8	13.0	12.8	13.0	0bps	0bps
Adj. PAT	707	802	710	789	0.4	-1.6
EPS	8.7	9.9	8.8	9.8	0.4	-1.6



Consolidated Financials

PROFIT & LOSS

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Revenue	7,543	7,801	7,823	8,300	8,881
% change	18.4	3.4	0.3	6.1	7.0
EBITDA	818	1,028	942	1,062	1,155
% change	26.0	25.6	-8.3	12.7	8.7
Depreciation	180	190	202	229	243
EBIT	638	837	741	833	911
Interest	29	29	31	37	39
Other Income	26.0	91.9	139.2	150.0	180.0
PBT	635	1,561	1,478	947	1,052
% change	33.3	145.9	-5.3	-36.0	11.2
Tax	166	385	369	237	263
Tax Rate (%)	26	25	25	25	25
Reported PAT	468	1,176	1,109	710	789
Adj*	0	661	630	0	0
Adj PAT	468	515	480	710	789
% change	36.5	9.8	-6.8	48.0	11.2
No. of shares (cr)	81	81	81	81	81
Adj EPS (Rs.)	6	6	6	9	10
% change	36.5	9.8	-6.8	48.0	11.2
DPS (Rs.)	2.1	2.1	2.1	2.1	2.1

CASH FLOW

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Net inc. + Deprn.	649	1,366	1,311	939	1,032
Non-cash adj.	3	-37	-16	26	9
Changes in W.C	-236	-103	-220	-321	-189
C.F. Operation	408	1227	1,075	644	853
Capital exp.	-123	-90	-100	-100	-100
Change in inv.	-113	-200	-200	-200	-200
Other invest.CF	9	66	47	11	30
C.F – Investment	-227	-224	-253	-289	-270
Issue of equity	-37	0	0	0	0
Issue/repay debt	-22	15	15	15	15
Dividends paid	-55	-169	-169	-169	-169
Other finance.CF	-19	-615	-661	-37	-39
C.F – Finance	-133	-769	-815	-190	-193
Chg. in cash	49	234	7	165	390
Closing cash	127	361	369	533	923

BALANCE SHEET

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash	127	361	369	533	923
Accounts Receivable	1,238	1,325	1,500	1,637	1,752
Inventories	1,729	1,727	1,736	1,921	2,056
Other Cur. Assets	211	224	225	239	255
Investments	502	702	902	1,102	1,302
Gross Fixed Assets	3,122	3,222	3,322	3,422	3,522
Net Fixed Assets	2,071	1,905	1,803	1,674	1,531
CWIP	113	100	100	100	100
Intangible Assets	37	40	40	40	40
Def. Tax (Net)	-	-	-	-	-
Other Assets	279	299	296	314	336
Total Assets	6,306	6,683	6,970	7,560	8,294
Current Liabilities	1,474	1,475	1,396	1,425	1,519
Provisions	-	-	-	-	-
Debt Funds	160	175	190	205	220
Other Liabilities	139	154	194	198	204
Equity Capital	81	81	81	81	81
Reserves & Surplus	4,453	4,799	5,110	5,651	6,271
Shareholder's Fund	4,534	4,880	5,191	5,732	6,352
Total Liabilities	6,306	6,683	6,970	7,560	8,294
BVPS (Rs.)	56	60	64	71	78

RATIOS

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	10.8	13.2	12.0	12.8	13.0
EBIT margin (%)	8.5	10.7	9.5	10.0	10.3
Net profit mgn.(%)	6.2	6.6	6.1	8.6	8.9
ROE (%)	10.8	10.9	9.5	13.0	13.1
ROCE (%)	8.1	8.4	7.3	9.9	9.9
W.C & Liquidity					
Receivables (days)	56.4	60.0	65.9	69.0	69.6
Inventory (days)	81.3	80.9	80.8	80.4	81.7
Payables (days)	62.5	70.5	71.7	65.6	63.4
Current ratio (x)	2.3	2.6	3.0	3.4	3.7
Quick ratio (x)	0.8	1.0	1.2	1.3	1.6
Turnover & Leverage					
Gross asset T.O (x)	2.5	2.5	2.4	2.5	2.6
Total asset T.O (x)	1.3	1.2	1.1	1.1	1.1
Int. coverage ratio (x)	22.0	28.7	23.7	22.8	23.2
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	2.5	2.4	2.3	2.2	1.9
EV/EBITDA (x)	23.0	17.9	19.3	16.8	15.0
P/E (x)	41.2	37.5	40.2	27.2	24.5
P/BV (x)	4.3	4.0	3.7	3.4	3.0



Recommendation Summary (last 3 years)



Dates	Rating	Target
25-Oct-2021	Buy	438
07-Feb-2022	Accumulate	403
19-Aug-2022	Accumulate	378
06-Dec-2022	Accumulate	333
12-May-2023	Accumulate	301
31-Aug-2023	BUY	388
23-Nov-2023	Accumulate	359
01-Apr-2024	HOLD	288
02-Aug-2024	BUY	355
07-Mar-2025	HOLD	258
24-Jun-2025	HOLD	263

Investment rating criteria

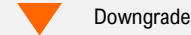
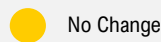
Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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