

April 21, 2025

## Company Update

■ Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
<b>Rating</b>	<b>ACCUMULATE</b>		<b>HOLD</b>	
<b>Target Price</b>	<b>288</b>		<b>278</b>	
Sales (Rs. m)	79,714	85,293	79,714	85,293
% Chng.	-	-	-	-
EBITDA (Rs. m)	11,116	12,182	11,116	12,182
% Chng.	-	-	-	-
EPS (Rs.)	9.5	10.3	9.5	10.3
% Chng.	-	-	-	-

### Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	73,933	74,902	79,714	85,293
EBITDA (Rs. m)	10,413	10,001	11,116	12,182
Margin (%)	14.1	13.4	13.9	14.3
PAT (Rs. m)	7,034	6,892	7,703	8,329
EPS (Rs.)	8.7	8.5	9.5	10.3
Gr. (%)	(6.7)	(2.0)	11.8	8.1
DPS (Rs.)	1.8	3.8	2.8	3.0
Yield (%)	0.7	1.5	1.1	1.2
RoE (%)	13.7	11.3	11.2	11.2
RoCE (%)	16.8	13.1	13.0	13.2
EV/Sales (x)	2.6	2.5	2.3	2.2
EV/EBITDA (x)	18.5	18.9	16.7	15.1
PE (x)	29.7	30.3	27.1	25.1
P/BV (x)	3.7	3.2	2.9	2.7

### Key Data

KANE.BO | KNPL IN

52-W High / Low	Rs.321 / Rs.218
Sensex / Nifty	78,553 / 23,852
Market Cap	Rs.209bn / \$ 2,444m
Shares Outstanding	808m
3M Avg. Daily Value	Rs.98.43m

### Shareholding Pattern (%)

Promoter's	74.99
Foreign	5.36
Domestic Institution	10.23
Public & Others	9.42
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	14.7	(10.1)	(4.9)
Relative	8.3	(7.3)	(11.7)

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## Vision 2030 indicates strong growth, Industrial focus

### Quick Pointers:

- Decorative business remains under pressure amidst heightened competition and down trading, things to stabilize over next 9-12 months.
- Strong growth to continue in Paint+, Wood coatings, Projects and Industrial Paints
- Industrial business would be key growth driver with auto to focus on business expansion through new business segments.

**We attended the Kansai India business strategy call (Part of Kansai Paint Japan, call), where the management indicated strong growth in non - decorative business led by sustain high growth in Automotive Paints, Auto refinishes, Powder coatings and sustained traction and new launches backed by innovation and Kansai's technological edge across emerging segments. KNPL plans to grow sales by 9% with 14-15% margins in near to medium term and is looking at 10% sales CAGR with 18-19% margins by 2030 (18.3% peak margin in FY17). The Industrial segment will focus on growth, while the Auto and Decorative segments will strategically aim for innovation and stability.**

**Rural markets continue to outperform urban areas, overall, the Decorative business is expected to recover in the medium term. Although competitive intensity is expected to remain high, KNPL remains confident of stability over the next 9-12 months, supported by technological advancements and a stabilizing macro environment.**

**KNPL's 2030 growth and margin vision seem quite encouraging which can result in growth faster than estimates. Although decorative business is uncertain in near term, valuations at 27.1x FY26 and 25.1x FY27 EPS with 9.9% EPS CAGR factor in most negatives. Upgrade to Accumulate with TP of Rs288 (28x FY27 v/s 278 based on 27x FY27 earlier).**

## Key Takeaways

### Decorative paints - High competition, mitigate low crude prices

- Softening of RM prices (Crude oil) is being offset by unstable geopolitical environment and supply chain issues.
- Rural markets are currently ahead of urban areas, supported by various government initiatives and declining inflation.
- Competitive intensity remains high in the decorative segment, along with visible down-trading.

- KNPL expects the situation to stabilize in the near term. Growth will be driven by the industrial business, while the auto segment will focus on innovation and the decorative segment on stability.
- A good monsoon is likely to further boost sentiments in rural areas, especially in the North and East, where Kansai has a strong presence (80% of deco sales). KNPL will continue to invest in south and west market.
- KNPL will leverage new technologies from Kansai Japan under the "Kansai One" initiative, which will fuel growth. Paint+ is growing good with its superior performance and differential range, it now accounts for 10% of deco sales.
- The decorative segment is facing some pressure due to high competition and down-trading. However, the company expects stabilization within 9–12 months, with projects, CC, and wood finish (WF) as key growth drivers.
- Growth in projects, CC, and wood finish will be supported by geographic expansion, architect and designer programs, a complete product portfolio, and increasing construction activity in urban areas.

**Premiumization**

“Paint+”, the newly launched premium product line that embodies our brand. Now it accounts for appx. 10% of total deco

**NEROLAC  
 PAINT+**

High Performance

Differentiated range

Quality assurance & Warranty



**KEY PRODUCTS:**



**WOW RANGE:**  
 Whitest of White  
 in Industry



**IMPRESSION SHEEN:**  
 Luxury Sheen Finish



**NODAMP+:**  
 14 years of Waterproofing  
 Warranty



**CRYSTAL SEAL:**  
 Waterproofing with  
 Crystalline  
 Technology

Enrich Lives with Happiness



**EXCEL NODUST:**  
 Highest Dust  
 Resistance property  
 in the category



**EXCEL EVERLAST 12:**  
 India's 1<sup>st</sup> Self Cleaning  
 Paint



**Impressions Kashmir:**  
 India's 1<sup>st</sup> No Smell Paint



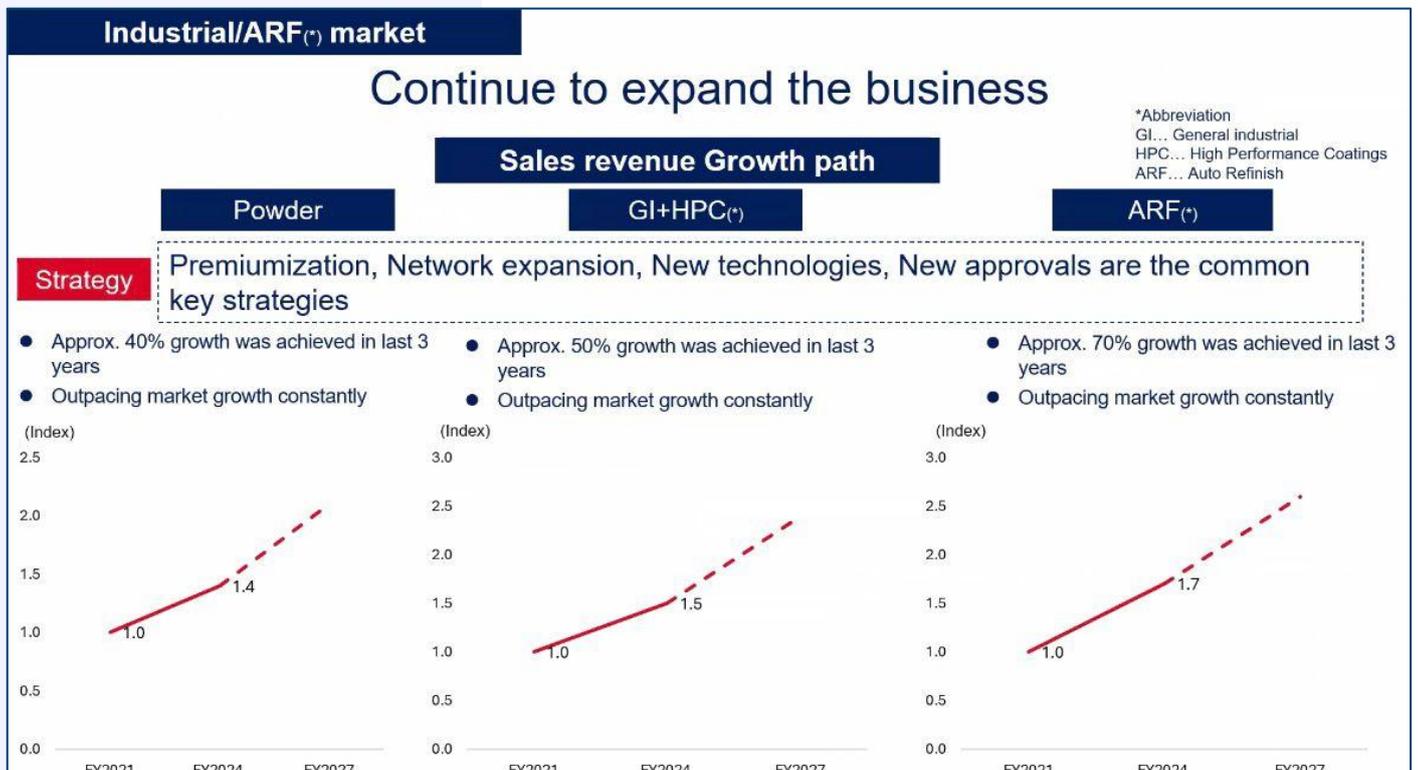
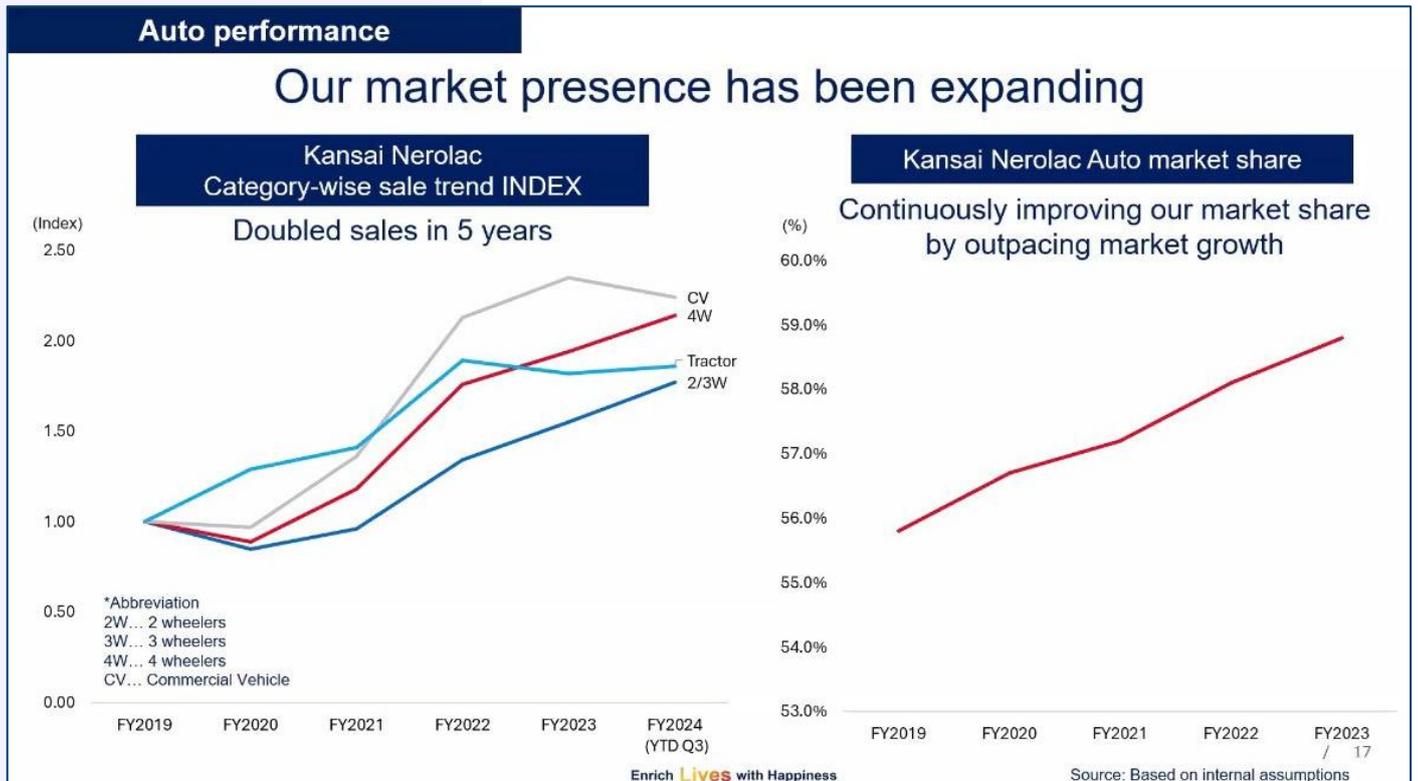
**Icro Water based PU Range:**  
 Transforming wood coatings with  
 Less VOC & Minimal Odour

/ 27

**Auto Market: Growing trend of SUV'S to lead the growth**

- KNPL Continues to lead in the auto motive paints which have seen sales double over past 5 years. It has also increased its market share from 56% to 59% during the same period.
- KNPL is seeing healthy growth prospects in production volumes. The product mix is shifting from sedans to SUVs, which is expected to drive volume growth due to increased surface area. No major changes in pricing are expected in the auto segment in the near term. Exports remain strong despite geopolitical instability.

- The business is set to expand further by entering new segments such as alloy wheels, zinc flake coating, seam sealers, etc.



**Industrial Paints: Premiumization, innovation to drive margins**

- Powder coatings segments, with the auto refinish category showing strong traction.
- Auto refinish sales are up 70% in past 3 years and are expected to further double over next 3 years
- power coating and general industrial business has grown by 40% and 50% in last 3 years and is expected to grow at same pace in coming years. |
- industrial paints are seeing good traction, with alloy wheels, helmets, and bridges becoming new focus areas.

The key strategy for industrial paints will revolve around premiumization, innovation, and securing new approvals. Industrial margins are expected to improve, driven by RM initiatives, premiumization, and discontinuation of non-profitable items.

**Industrial paints**

**Diverse applications, diverse business opportunities**

**Powder**



White goods



Kitchen



Alloy wheels



Air conditioner



Washing machine



Rebar

**GI+HPC(\*)**



Helmet



Coil coating



Agricultural equipment



Floor coating



Can coating



Construction equipment

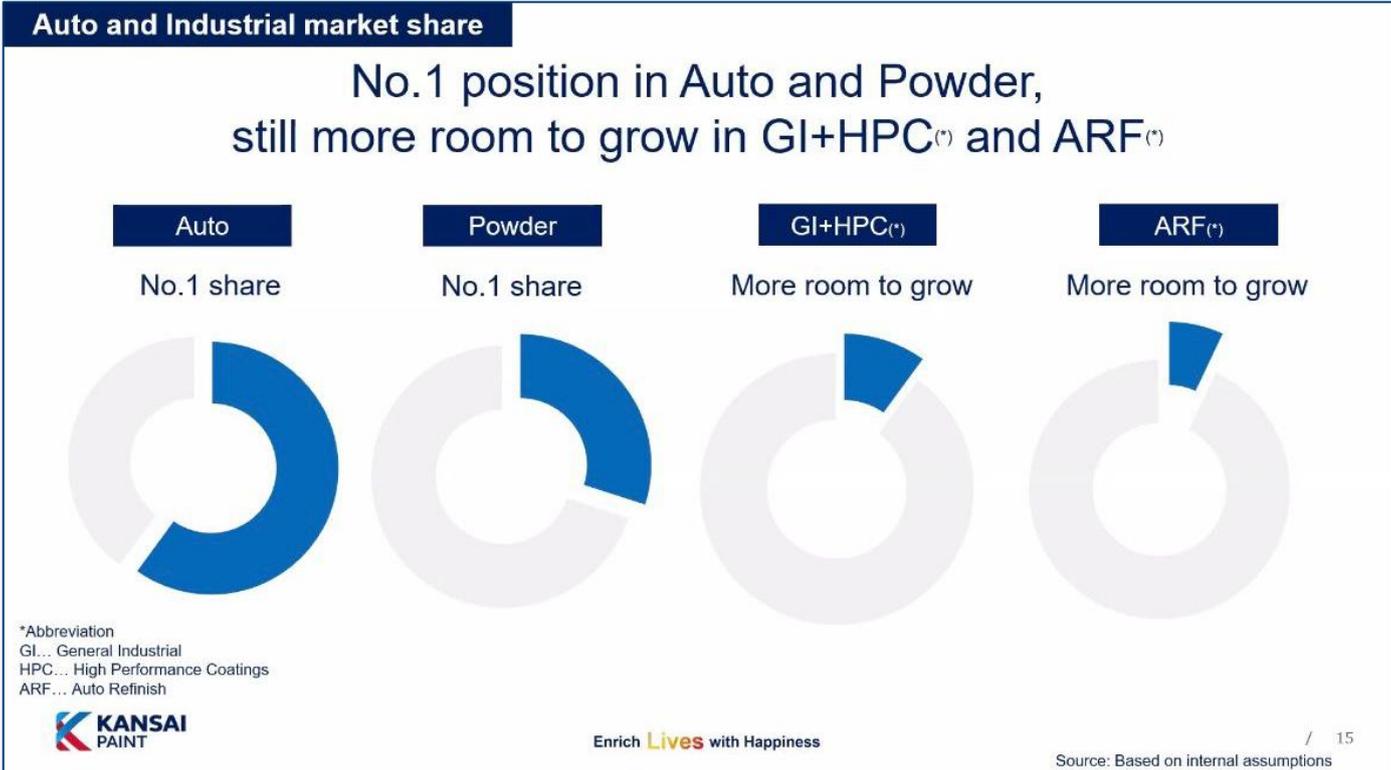


Plant

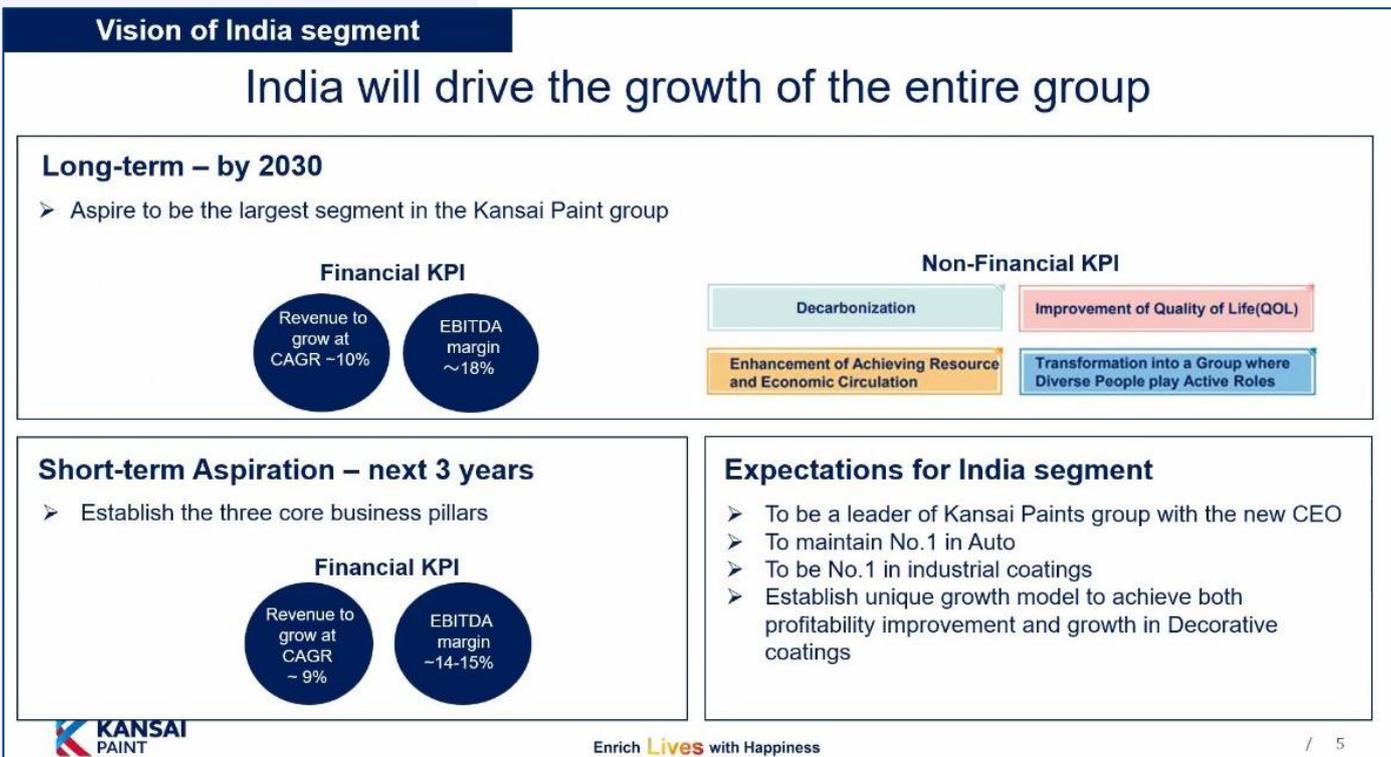


Bridges

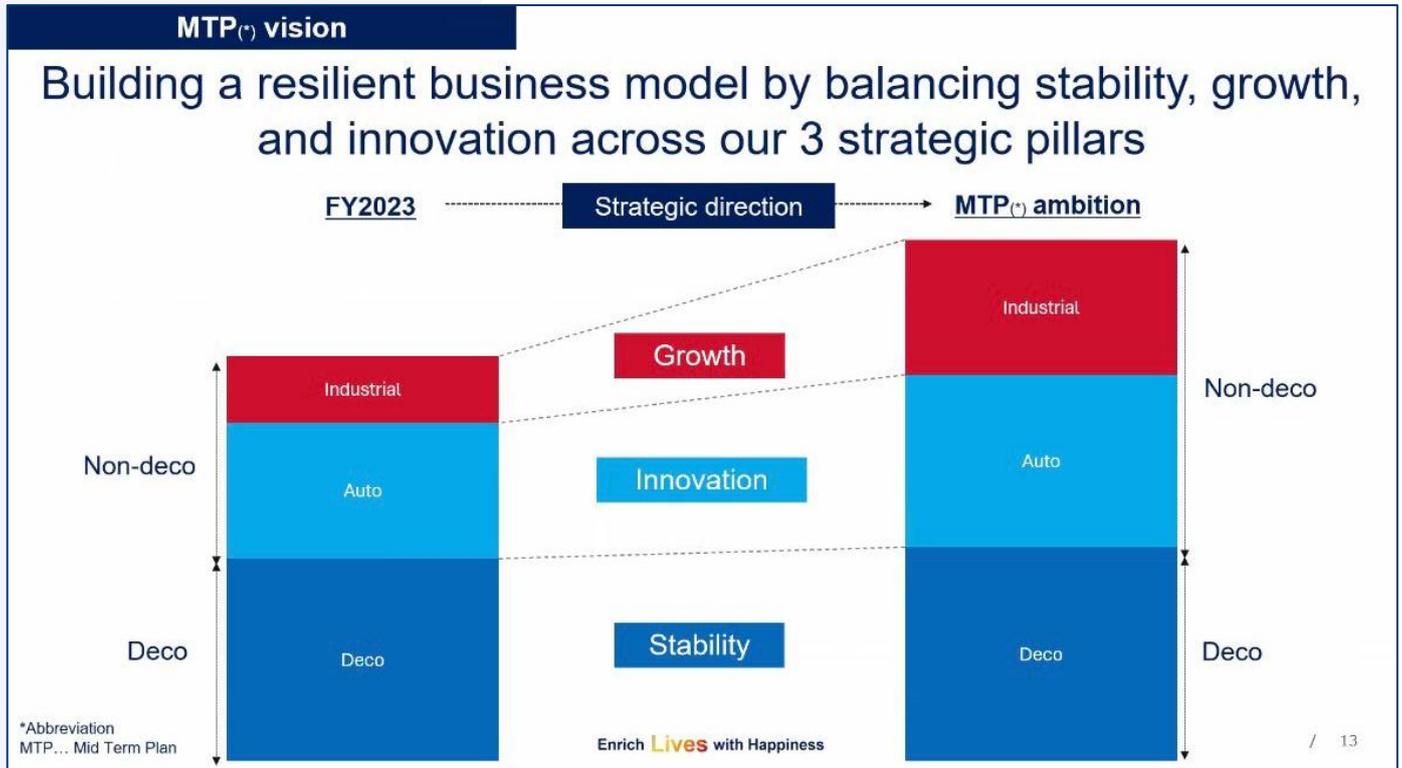
\*Abbreviation  
 GI... General industrial  
 HPC... High Performance Coatings



Near term vision of India business is 9% sales growth and 14-15% margins, 2030 vision is 10% sales growth and 18-19% margin



Non decorative business is growing at a faster pace and the trend is likely to sustain



## Financials

### Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Net Revenues</b>	<b>73,933</b>	<b>74,902</b>	<b>79,714</b>	<b>85,293</b>
YoY gr. (%)	4.4	1.3	6.4	7.0
Cost of Goods Sold	47,697	48,437	51,300	54,901
Gross Profit	26,236	26,465	28,414	30,392
Margin (%)	35.5	35.3	35.6	35.6
Employee Cost	4,018	4,419	4,703	4,904
Other Expenses	6,774	6,651	6,975	7,421
<b>EBITDA</b>	<b>10,413</b>	<b>10,001</b>	<b>11,116</b>	<b>12,182</b>
YoY gr. (%)	28.6	(4.0)	11.1	9.6
Margin (%)	14.1	13.4	13.9	14.3
Depreciation and Amortization	1,800	1,972	2,187	2,404
<b>EBIT</b>	<b>8,613</b>	<b>8,029</b>	<b>8,929</b>	<b>9,778</b>
Margin (%)	11.6	10.7	11.2	11.5
Net Interest	125	149	192	249
Other Income	931	1,434	1,673	1,727
<b>Profit Before Tax</b>	<b>9,420</b>	<b>9,313</b>	<b>10,410</b>	<b>11,255</b>
Margin (%)	12.7	12.4	13.1	13.2
Total Tax	2,386	2,421	2,707	2,926
Effective tax rate (%)	25.3	26.0	26.0	26.0
<b>Profit after tax</b>	<b>7,034</b>	<b>6,892</b>	<b>7,703</b>	<b>8,329</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>7,034</b>	<b>6,892</b>	<b>7,703</b>	<b>8,329</b>
YoY gr. (%)	40.0	(2.0)	11.8	8.1
Margin (%)	9.5	9.2	9.7	9.8
Extra Ord. Income / (Exp)	4,979	5,663	-	-
<b>Reported PAT</b>	<b>12,013</b>	<b>12,555</b>	<b>7,703</b>	<b>8,329</b>
YoY gr. (%)	139.1	4.5	(38.6)	8.1
Margin (%)	16.2	16.8	9.7	9.8
Other Comprehensive Income	(38)	-	-	-
Total Comprehensive Income	11,975	12,555	7,703	8,329
<b>Equity Shares O/s (m)</b>	<b>808</b>	<b>808</b>	<b>808</b>	<b>808</b>
<b>EPS (Rs)</b>	<b>8.7</b>	<b>8.5</b>	<b>9.5</b>	<b>10.3</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>32,882</b>	<b>35,873</b>	<b>38,583</b>	<b>41,293</b>
Tangibles	32,297	35,277	37,977	40,677
Intangibles	586	596	606	616
<b>Acc: Dep / Amortization</b>	<b>14,108</b>	<b>15,648</b>	<b>17,313</b>	<b>19,098</b>
Tangibles	13,629	15,115	16,726	18,455
Intangibles	479	533	587	643
<b>Net fixed assets</b>	<b>18,774</b>	<b>20,225</b>	<b>21,270</b>	<b>22,195</b>
Tangibles	18,667	20,162	21,252	22,222
Intangibles	107	63	18	(27)
Capital Work In Progress	1,481	1,200	1,200	1,200
Goodwill	2	-	-	-
Non-Current Investments	1,563	1,579	1,596	1,615
Net Deferred tax assets	(1,171)	(1,229)	(1,291)	(1,355)
Other Non-Current Assets	4,647	5,253	5,847	6,420
<b>Current Assets</b>				
Investments	13,229	16,229	19,479	19,979
Inventories	16,160	17,518	18,445	19,521
Trade receivables	12,153	12,663	13,259	13,952
Cash & Bank Balance	2,296	3,491	3,863	5,105
Other Current Assets	1,317	1,873	1,993	2,132
<b>Total Assets</b>	<b>72,248</b>	<b>80,737</b>	<b>87,696</b>	<b>92,904</b>
<b>Equity</b>				
Equity Share Capital	808	808	808	808
Other Equity	55,723	65,087	70,568	76,471
<b>Total Network</b>	<b>56,531</b>	<b>65,896</b>	<b>71,376</b>	<b>77,280</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	206	226	249	274
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	10,242	9,445	9,790	7,801
Other current liabilities	2,903	2,105	2,411	2,758
<b>Total Equity &amp; Liabilities</b>	<b>72,248</b>	<b>80,737</b>	<b>87,696</b>	<b>92,904</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	9,236	9,313	10,410	11,255
Add. Depreciation	1,800	1,972	2,187	2,404
Add. Interest	125	149	192	249
Less Financial Other Income	931	1,434	1,673	1,727
Add. Other	4,998	5,761	216	355
Op. profit before WC changes	16,158	17,196	13,005	14,263
Net Changes-WC	(8,172)	(7,099)	(4,280)	(4,092)
Direct tax	(2,386)	(2,421)	(2,707)	(2,926)
<b>Net cash from Op. activities</b>	<b>5,600</b>	<b>7,675</b>	<b>6,018</b>	<b>7,245</b>
Capital expenditures	(2,977)	(3,141)	(3,232)	(3,329)
Interest / Dividend Income	-	-	-	-
Others	185	-	-	-
<b>Net Cash from Inv. activities</b>	<b>(2,792)</b>	<b>(3,141)</b>	<b>(3,232)</b>	<b>(3,329)</b>
Issue of share cap. / premium	121	(159)	-	-
Debt changes	-	-	-	-
Dividend paid	(1,455)	(3,031)	(2,223)	(2,425)
Interest paid	(125)	(149)	(192)	(249)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(1,458)</b>	<b>(3,339)</b>	<b>(2,415)</b>	<b>(2,675)</b>
<b>Net change in cash</b>	<b>1,349</b>	<b>1,195</b>	<b>372</b>	<b>1,242</b>
Free Cash Flow	2,622	4,534	2,787	3,916

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Per Share(Rs)</b>				
EPS	8.7	8.5	9.5	10.3
CEPS	10.9	11.0	12.2	13.3
BVPS	69.9	81.5	88.3	95.6
FCF	3.2	5.6	3.4	4.8
DPS	1.8	3.8	2.8	3.0
<b>Return Ratio(%)</b>				
RoCE	16.8	13.1	13.0	13.2
ROIC	18.0	14.3	14.6	14.7
RoE	13.7	11.3	11.2	11.2
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.3)	(0.3)	(0.3)	(0.3)
Net Working Capital (Days)	89	101	100	110
<b>Valuation(x)</b>				
PER	29.7	30.3	27.1	25.1
P/B	3.7	3.2	2.9	2.7
P/CEPS	10.9	11.0	12.2	13.3
EV/EBITDA	18.5	18.9	16.7	15.1
EV/Sales	2.6	2.5	2.3	2.2
Dividend Yield (%)	0.7	1.5	1.1	1.2

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q1FY25	Q2FY25	Q3FY25	Q4FY25E
<b>Net Revenue</b>	<b>20,504</b>	<b>18,638</b>	<b>18,422</b>	<b>17,339</b>
YoY gr. (%)	(1.0)	1.0	1.5	4.3
Raw Material Expenses	12,918	12,310	11,919	11,290
Gross Profit	7,586	6,328	6,502	6,049
Margin (%)	37.0	34.0	35.3	34.9
<b>EBITDA</b>	<b>3,344</b>	<b>2,150</b>	<b>2,469</b>	<b>2,038</b>
YoY gr. (%)	0.2	(20.3)	2.9	13.8
Margin (%)	16.3	11.5	13.4	11.8
Depreciation / Depletion	460	465	515	533
<b>EBIT</b>	<b>2,884</b>	<b>1,685</b>	<b>1,954</b>	<b>1,505</b>
Margin (%)	14.1	9.0	10.6	8.7
Net Interest	34	33	48	35
Other Income	384	269	374	407
<b>Profit before Tax</b>	<b>3,234</b>	<b>1,921</b>	<b>2,281</b>	<b>1,877</b>
Margin (%)	15.8	10.3	12.4	10.8
Total Tax	823	619	582	397
Effective tax rate (%)	25.5	32.2	25.5	21.2
<b>Profit after Tax</b>	<b>2,411</b>	<b>1,302</b>	<b>1,699</b>	<b>1,480</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>2,411</b>	<b>1,302</b>	<b>1,699</b>	<b>1,480</b>
YoY gr. (%)	6.3	(27.6)	7.8	22.8
Margin (%)	11.8	7.0	9.2	8.5
Extra Ord. Income / (Exp)	-	-	3,566	-
<b>Reported PAT</b>	<b>2,411</b>	<b>1,302</b>	<b>5,265</b>	<b>1,480</b>
YoY gr. (%)	(67.6)	(27.6)	234.0	45.8
Margin (%)	11.8	7.0	28.6	8.5
Other Comprehensive Income	(5)	(5)	-	-
<b>Total Comprehensive Income</b>	<b>2,406</b>	<b>1,297</b>	<b>5,265</b>	<b>1,480</b>
Avg. Shares O/s (m)	808	808	808	808
<b>EPS (Rs)</b>	<b>3.0</b>	<b>1.6</b>	<b>2.1</b>	<b>1.8</b>

Source: Company Data, PL Research

**Price Chart**



**Recommendation History**

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Apr-25	Hold	278	244
2	07-Feb-25	Hold	278	249
3	08-Jan-25	Reduce	274	257
4	08-Nov-24	Reduce	269	271
5	07-Oct-24	Reduce	286	292
6	31-Jul-24	Reduce	284	307
7	09-Jul-24	Reduce	266	267
8	07-May-24	Reduce	273	284

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Reduce	2,094	2,394
2	Avenue Supermarts	Hold	3,942	4,054
3	Britannia Industries	BUY	5,881	5,179
4	Colgate Palmolive	Hold	2,650	2,440
5	Dabur India	Hold	494	459
6	Emami	Accumulate	709	584
7	Hindustan Unilever	Accumulate	2,667	2,289
8	ITC	Accumulate	524	413
9	Jubilant FoodWorks	Hold	678	682
10	Kansai Nerolac Paints	Hold	278	244
11	Marico	Accumulate	672	679
12	Metro Brands	Hold	1,162	1,046
13	Mold-tek Packaging	Accumulate	621	470
14	Nestle India	Accumulate	2,546	2,275
15	Pidilite Industries	Accumulate	3,318	2,931
16	Restaurant Brands Asia	Accumulate	74	67
17	Titan Company	BUY	3,695	3,122
18	Westlife Foodworld	Hold	777	706

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

## **ANALYST CERTIFICATION**

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