Dated: 6th November 2025

Kansai Nerolac Paints (KNPL)- REDUCE

Q2FY26 Result Update

Current Market Price (CMP)	Fair Value (FV)
Rs.249	**Rs.255**

Rationale:

- Kansai Nerolac reported 0.4% yoy revenue growth in Q2.
- On the back of Low single digit (LSD) volume/value decline in decorative paints and low-to-mid-single-digit growth in industrial segment.
- While EBITDA margin missed estimate in Q2.
- H1 print of 13.2% was in their FY26E guided band of 13-14%.
- We expect earnings to grow by 9.7% in FY27E & grow by 11.4% in FY28E.
- A shorter festive season is likely to weigh on 3Q decorative paints growth.
- Stock is currently trading at valuation of 23.6 x P/E FY28E EPS.
- Cut estimates by 5-6% and revise FV to Rs255. REDUCE.

Positives:

- Industrial segment is resilient.
- Gross margin expanded 105 bps yoy to 35% (30 bps miss), aided by benign RM prices.
- GST cut and festive season onset provided a demand push toward the end of the quarter.

Negatives:

- KNPL's revenues grew 0.4% yoy to Rs1870 cr (~1% miss).
- EBITDA margin declined 20 bps yoy to 11.3% (KIE: 12%).
- We estimate a decline of 2% yoy each in decorative paints value/volume in Q2.

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NA	–	**Not Available or Not Applicable.** The information is not available for display or is not applicable
NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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