Valuation and risks

We value paint stocks using the DCF methodology (WACC and TG ranging from 10–13% and 3-6%, respectively). Key upside risk is better than expected gross margin led by correction in input prices. Key downside risk is unexpected irrational competition due to deceleration in general consumption demand.

Please refer **Exhibit below** for estimates, target prices and ratings.

Exhibit 7: Paint sector valuation summary

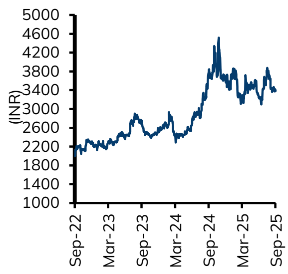
Company	TP (INR)	Rating	PE (x)		EV/EBITDA (x)		ADTV	Market cap.	
			FY26E	FY27E	FY26E	FY27E	(USD mn)	(INR bn)	(USD bn)
Akzo Nobel	4200	ADD	35	32	22	20	4	152	2
Asian Paints	2700	ADD	58	52	38	34	35	2368	28
Berger Paints	650	ADD	47	42	30	28	4	615	7
Indigo Paints	1350	ADD	36	31	22	19	1	53	1
Kansai Nerolac	280	ADD	31	28	19	18	1	192	2

Company	EV/ sales (x)		P/B (x)		P/CEPS (x)		RoE (%)		RoCE (%)		CAGR (FY25-27E) (%)		
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	Revenues	EBITDA	PAT
Akzo Nobel	4	3	18	19	28	26	40	56	39	58	6	7	4
Asian Paints	7	6	12	11	45	40	20	20	18	18	8	10	7
Berger Paints	5	4	7	6	37	33	19	19	18	18	7	7	10
Indigo Paints	4	3	5	4	25	22	13	13	14	14	8	8	11
Kansai Nerolac	2	2	3	3	23	21	10	10	9	10	6	7	5

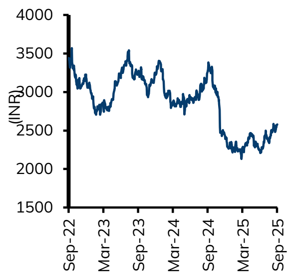
Source: Company data, I-Sec research

Price charts

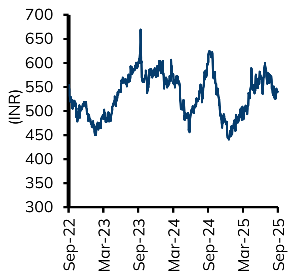
Akzo Nobel



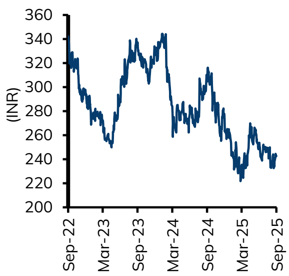
Asian Paints



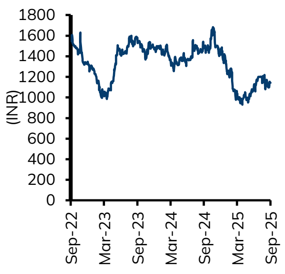
Berger Paints



Kansai Nerolac



Indigo Paints



Source: Bloomberg