

Asian Paints Gets Some Colour as a Key Rival Loses its CEO

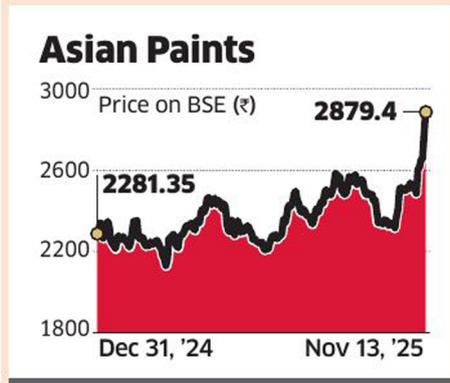
Profit growth that beat expectations helps, some brokerages raise targets

Our Bureau

Mumbai: Asian Paints, one of the most ignored stocks in recent years, seems to be regaining favour among investors. The stock rose 3.8% to close at ₹2,874.3 on Thursday, taking its gains in the past two trading sessions to over 8% boosted by the sudden exit of rival Birla Opus' chief executive officer and a strong second quarter performance. But analysts are hesitant to conclude if the worst may be over for the company and the sector.

Renewed investor interest in Asian Paints has been driven by a 43% surge in the company's net profit, which beat analyst expectations and triggered some price target upgrades. Jefferies raised its price target on the stock to ₹3,300 from ₹2,900, while HSBC's new price target is ₹3,050 as against ₹2,800 earlier.

Asian Paints, a stock market darling in the previous decade, has seen its appeal fade among investors in recent years as pressure on profitability, sparked by the entry of the Aditya



Birla Group in the paints business, and slowing demand made it tough for the company to justify rich valuations. The stock, which was below ₹100 in 2009, soared to over ₹3,000 levels by the end of 2021, making it one of the most sought-after blue-chips in the previous decade. In last five years, Asian Paints shares gained 33% as against the 103% gains in the Nifty.

Money managers said most paint companies showed a recovery in demand in the September quarter after muted quarters, but Asian Paints' performance surprised them.

"Despite being the market leader, Asian Paints reported higher growth than its peers, which was a positive surprise," said Rakesh Vyas, CIO, Quest Investment Managers.

The change in management at Birla Opus, a major rival, improves the moat for Asian Paints, he said.

On Thursday, peers Indigo Paints gained 4.3% while Berger Paints rose 3.7%. Akzo Nobel and Kansai Nerolac advanced over 1% each. Grasim Industries (Birla Opus) ended 0.5% higher. "Reduction in competitive pressures, green shoots in the paint industry and a favourable base may allow Asian Paints to report stronger revenue growth in H2FY26," said ICICI Securities' analysts, including Manoj Menon.

Even as business prospects look better than in recent quarters, analysts remain unconvinced that the stock is poised for a runaway rally. "We like Asian Paints' execution; however, with recent run-up, upsides are capped," said JM Financial's analysts, including Mehul Desai, in a client note.