



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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Result Update @ Dalal & Broacha

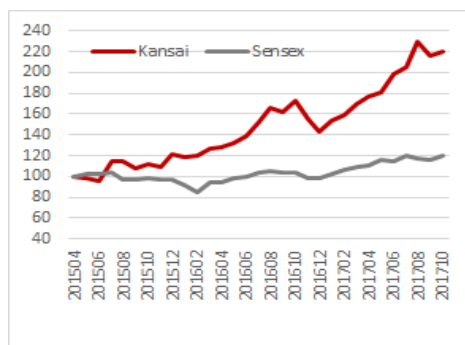
ACCUMULATE

Current Price	482
52 Week Range	Rs 529/303
Target Price	530
Upside	10%

Key Share Data

Market Cap (Rs.bn)	260
Market Cap (US\$ mn)	4023
No of o/s shares (mn)	538.92
Face Value	1.0
Monthly Avg.	144
vol(BSE+NSE) Nos'000	
BSE Code	500165
NSE Code	KANSAINER
Bloomberg	KNPL IN

Price performance



% Shareholding	Jun-17	Mar-17
Promoters	74.99	74.99
Institutions	14.74	14.73
Corporate Holding		
Others	10.27	10.28
Total	100.0	100.0

Key Financials

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE%	RoCE%
FY15	35,869.8	12.3	4,511.5	12.6	2,740.6	31.8	5.1	94.8	17.1	23.2
FY16	37,668.7	5.0	5,846.6	15.5	3,659.1	33.5	6.8	71.0	14.6	20.3
FY17	40,525.5	7.6	7,374.0	18.2	5,088.4	39.1	9.4	51.0	18.1	23.6
FY18E	46,594.1	15.0	8,428.7	18.1	5,499.7	8.1	10.2	47.2	17.4	24.1
FY19E	53,572.5	15.0	9,919.8	18.5	6,429.9	16.9	11.9	40.4	18.1	25.5

Kansai Nerolac Q2FY18 Results

Q2FY18 Results were better than expectations on topline.

The company recorded double digit volume growth led by Decorative paints. Operating Income for Q2FY18 increased by 16.2% YoY to Rs 11618.2mn (these numbers are post excise duty last year and post GST this year) partially led by one month early Diwali and re-stocking post GST implementation in July. Volume growth on an overall basis stood at 18% supported by 20% plus volume growth in decorative. Volume growth in case of industrial paints stood at 10% of which auto performed better.

Raw Materials as percentage to Operating Income stood at 59.8% as against 57.3% last year, crude and derivatives have seen uptake in prices and the effect of higher raw material prices is continuing.

Other Expenses stood at 16.2% as against 18% last year.

EBIDTA margins for Q2FY18 stood at 19% as against 19.8%. EBIDTA in absolute terms stood at Rs 2213.2mn up 11.6% YoY.

Other income declined by 51.8% YoY to Rs 141.6mn. PAT for Q2FY18 stood at Rs 1446.3mn registering a growth of 3.8%

Expansion: Kansai's new plant in Gujarat is expected to start commercial production by 3QFY18 and Punjab plant by Q1FY19.

Board has also approved setting up capacity in Andhra Pradesh having capacity of 60000KL per year, capex Rs 3.04bn which would be from internal accruals.

Going Forward: As far as Kansai's revenue mix goes 55% is decorative paints and 45% industrials (that includes Automotive), it's one of the best placed companies to capture demand in the paint industry as a whole.

The management is confident of maintaining double digit growth in decorative paints.

Kansai Nerolac has been delivering on a sustainable basis additionally has expansion plans upto 2020.

Valuations: At CMP of Rs 482 the stock trades at 47.2x its FY18 E EPS of Rs 10.2 and 40.4x its FY19e EPS of Rs 12. We would recommend investors to Accumulate the stock.



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Particulars (Rs Mns)	Q2FY17	Q2FY18	Growth	H1FY17	H1FY18	Growth
Net Sales (excluding Excise Duty & GST)	9998.8	11618.20	16.2%	20445.2	23320.50	14.1%
Other Operating Income	22.100	25.6	15.8%	46.2	59.50	28.8%
TOTAL Operating income	10020.90	11643.80	16.2%	20491.40	23380.00	14.1%
Cost of material consumed	5485.3	6539.2	19.2%	11028.4	13008.70	18.0%
Purchase of stock in trade	445.6	464.9	4.3%	923.5	1006.30	9.0%
Changes of inventories	-192.2	-39.5	-79.4%	54.1	18.40	-66.0%
Total raw material consumed	5738.7	6964.6	21.4%	12006.0	14033.4	16.9%
% OF OPERATING INCOME	57.3%	59.8%		58.6%	60.0%	
Employee expenses	494.7	584.6	18.2%	953.6	1116.10	17.0%
% OF OPERATING INCOME	4.9%	5.0%		4.7%	4.8%	
Other expenses	1804.9	1881.40	4.2%	3681.5	3944.50	7.1%
% OF OPERATING INCOME	18.0%	16.2%		18.0%	16.9%	
TOTAL EXPENDITURE	8038.3	9430.6	17.3%	16641.1	19094.0	14.7%
Other Income	293.9	141.6	-51.8%	504.8	340.30	-32.6%
EBITDA	2276.50	2354.80	3.4%	4355.10	4626.30	6.2%
EBIDTA (Excl Other Income)	1982.60	2213.20	11.6%	3850.30	4286.00	11.3%
EBIDTA MARGINS	19.8%	19.0%		18.8%	18.3%	
Depreciation	171.7	187	8.9%	344.1	367.50	6.8%
EBIT	2104.80	2167.80	3.0%	4011.00	4258.80	6.2%
Interest	0			0	0.00	
Reversal of depreciation				0	0.00	
PBT	2104.80	2167.80	3.0%	4011.00	4258.80	6.2%
Exceptional Items					0.00	
TAX	711.7	721.5	1.4%	1352.9	1404.40	3.8%
TAX RATE	33.8%	33.3%		33.7%	33.0%	
Net Profit Reported	1393.10	1446.30	3.8%	2658.10	2854.40	7.4%
Non Controlling Interest					0.00	
PAT Adjusted	1393.10	1446.30	3.8%	2658.1	2854.40	7.4%
NPM	13.51%	12.27%		12.66%	12.03%	
Other Comprehensive Income	-4.40	-2.60	-40.9%	-4.4	-10.50	138.6%
Total Comprehensive Income	1388.70	1443.70	4.0%	2653.70	2843.90	7.2%
Equity	538.9	538.9		538.9	538.9	0.0%
EPS on Adjusted PAT	2.59	2.68	3.8%	4.93	5.30	7.4%



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