



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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Result Update @ Dalal & Broacha

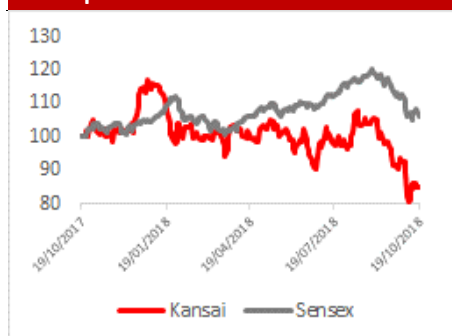
ACCUMULATE

Current Price	383
52 Week Range	Rs 608/381

Key Share Data

Market Cap (Rs.bn)	210.17
Market Cap (US\$ mn)	2863.47
No of o/s shares (mn)	538.92
Face Value	1.0
Monthly Avg. vol(BSE+NSE) Nos'000	287.92
BSE Code	500165
NSE Code	KANSAINER
Bloomberg	KNPL IN

Price performance



% Shareholding	Sept-18	Jun-18
Promoters	74.99	74.99
Institutions	15.47	15.58
Others	9.54	9.43
Total	100.0	100.0

Key Financials (in mn)

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE%	RoCE%
FY16	37,668.7	5.0	5,846.6	15.5	3,659.1	33.5	6.8	56.4	14.6	20.3
FY17	40,525.5	7.6	7,374.0	18.2	5,088.4	39.1	9.4	40.6	18.1	23.6
FY18	46,580.8	14.9	7,931.2	17.0	5,144.0	1.1	9.5	40.1	16.4	22.8
FY19E	53,365.1	14.6	8,757.4	16.4	5,461.2	6.2	10.1	37.8	15.7	22.6
FY20E	61,353.1	15.0	10,867.0	17.7	6,850.6	25.4	12.7	30.1	17.6	25.3

Kansai Nerolac Q2FY19 results were below expectations due to sudden GST reduction from 28% to 18% in end July, increasing crude prices and Rupee Depreciation

Q2FY19 Revenues increased by 10.7% YoY to Rs 12862.5mn.

Volume growth for the quarter stood at 9.5%.

Decorative business was lower y-o-y due to a 1- month postponement of festive season this year in addition to an extended monsoon and the sudden GST rate cut which led to de-stocking at dealer end.

The management took a price increase of 2% in Decorative in H1FY19 and an additional 2.4% from 1st October, 2018.

Industrial Client Side Negotiations are in progress.

Q2FY19 EBIDTA de-grew by 12% Y-o-Y to Rs 1949.5mn, EBIDTA margins stood at 15.1% as against 19% YoY and 16% Q-o-Q

As % Revenue:

-Raw Materials cost stood at 64.5% for Q2FY19 as against 59.8% last year and 61.7% in Q1FY19 (India crude basket price {in INR} is up 59.7% YoY and 7.4% QoQ).

-Other Expenses stood at 15.6% as against 16.2 YoY

Tax rate stood at 34.4% as against 33.3% YoY.

PAT declined 15.7% YoY to Rs 1219.90mn.

Other KTA's

-Company will add 26% more capacity by 2021 from current 431000 KL (as per Mar-18 presentation)

-The impact of recent price increase will reflect in Q3FY19

- No loss of market share either in Decorative or Industrial

Valuations @ Rs383: 38x its FY19e EPS of Rs 10.1 and 30x its FY20e EPS of Rs 12.7.

We recommend **Accumulate** at current levels.



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Particulars (Rs Mns)	Q2FY18	Q2FY19	H1FY18	H1FY19
Net Sales (excluding Excise Duty & GST)	11618.20	12862.50	23320.50	26532.40
<i>Growth</i>	16.2%	10.7%	14.1%	13.8%
Other Operating Income	25.6	76.300	59.50	165.60
<i>Growth</i>	15.8%	198.0%	28.8%	178.3%
TOTAL Operating income	11643.80	12938.80	23380.00	26698.00
<i>Growth</i>	16.2%	11.1%	14.1%	14.2%
Cost of material consumed	6539.2	8193.500	13008.70	16273.70
Purchase of stock in trade	464.9	578.6	1006.30	1198.70
Changes of inventories	-39.5	-428.5	18.40	-638.00
Total raw material consumed	6964.6	8343.6	14033.4	16834.4
% OF OPERATING INCOME	59.8%	64.5%	60.0%	63.1%
<i>Growth</i>	21.4%	19.8%	2.4%	5.1%
Employee expenses	584.6	631.3	1116.10	1267.60
<i>Growth</i>	18.2%	8.0%	17.0%	13.6%
% OF OPERATING INCOME	5.0%	4.9%	4.8%	4.7%
Other expenses	1881.40	2014.40	3944.50	4442.00
% OF OPERATING INCOME	16.2%	15.6%	16.9%	16.6%
<i>Growth</i>	4.2%	7.1%	-6.1%	-1.4%
TOTAL EXPENDITURE	9430.6	10989.3	19094.0	22544.0
Other Income	141.6	139.9	340.30	275.90
EBITDA	2354.80	2089.40	4626.30	4429.90
EBIDTA (Excl Other Income)	2213.20	1949.50	4286.00	4154.00
EBIDTA MARGINS	19.0%	15.1%	18.3%	15.6%
<i>Growth</i>	11.6%	-11.9%	-2.4%	-15.1%
Depreciation	187	230.8	367.50	434.80
EBIT	2167.80	1858.60	4258.80	3995.10
Interest			0.00	0.00
Reversal of depreciation			0.00	0.00
PBT	2167.80	1858.60	4258.80	3995.10
Exceptional Items			0.00	0.00
TAX	721.5	638.7	1404.40	1376.80
TAX RATE	33.3%	34.4%	33.0%	34.5%
Net Profit Reported	1446.30	1219.90	2854.40	2618.30
Non Controlling Interest			0.00	0.00
PAT Adjusted	1446.30	1219.90	2854.40	2618.30
<i>Growth</i>	3.8%	-15.7%	7.4%	-8.3%
NPM	12.27%	9.33%	12.03%	9.71%
EPS on Adjusted PAT	2.68	2.26	5.30	4.86



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