



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Analyst: Kunal Bhatia (022) 67141442

## Result Update @ Dalal & Broacha

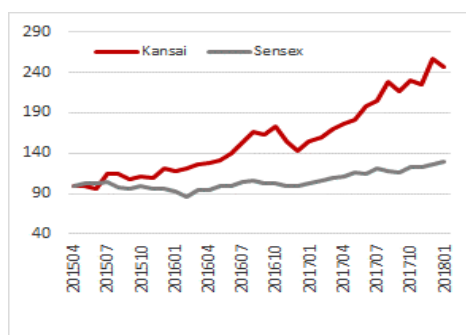
### ACCUMULATE

Current Price	516
52 Week Range	Rs 529/303
Target Price	600
Upside	16%

### Key Share Data

Market Cap (Rs.bn)	278
Market Cap (US\$ mn)	4278
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	Sep-17
Promoters	74.99	74.99
Institutions	15.58	15.27
Corporate Holding		
Others	9.43	9.74
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### Key Financials

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	76.0	14.6	20.3
FY17	40,525.5	7.6	7,374.0	18.2	5,088.4	39.1	9.4	54.7	18.1	23.6
FY18E	46,594.1	15.0	8,428.7	18.1	5,499.7	8.1	10.2	50.6	17.4	24.1
FY19E	53,572.5	15.0	9,919.8	18.5	6,429.9	16.9	11.9	43.2	18.1	25.5
FY20E	59,993.4	12.0	11,166.2	18.6	7,300.6	13.5	13.5	38.1	18.3	25.7

### Kansai Nerolac Q3FY18 Results were in-line with expectations.

Revenues (net of GST in Q3FY18 and excise last year) increased by 13.5% YOY to Rs 11450.1mn. The company witnessed double digit growth in all segments led by decorative. Effect of early Diwali as against last year led to pre-opening of sales in Q2FY18 and Q3FY17 had demonetization impact that aided growth in current Q3FY18 quarter.

EBIDTA for Q3FY18 improved 5.9% YoY to Rs 1922.4mn. EBIDTA margins stood at 16.8% as against 18% YoY and 19% QoQ.

#### As % Revenue:

-Raw Materials cost stood at 60% v/s 58.5% YoY, and 59.8% QoQ basis on account of rise in crude oil prices. (Inflation was more pronounced in Q3FY18. Management taking efforts to increase prices from its customers.)  
-Other Expenses stood at 18.2% as against 18.3% YoY mainly on account of higher advertisement (QoQ basis).

Other Income declined 19.8% YoY to Rs 197.6mn.

Tax rate increased to 35% as against 34.3% YoY.

Q3FY18 increased by 1% YoY to Rs 1251mn.

The company has been delivering on a sustainable basis additionally has expansion plans upto 2021.

#### Other KTA's

-Upward revision to the extent of 46% was made in capacity expansion at its Punjab plant from 36000KL to 52800KL with a total capex outgo of Rs 2165mn v/s Rs 1805mn previously.

-Between FY17 to FY21 the company's overall capacity is expected to increase by 49%.

**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.

**Valuations @ Rs516:** 43x its FY19e EPS of Rs 12 and 38x its FY20 E EPS of Rs 13.5

We maintain Accumulate.



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

### Result Update@ Dalal & Broacha

Particulars ( Rs Mns)	Q3FY17	Q3FY18	9MFY17	9MFY18
Net Sales ( excluding Excise Duty & GST)	10050.6	11392.70	30495.80	34713.20
<i>Growth</i>		<b>13.4%</b>		<b>13.8%</b>
Other Operating Income	34.000	57.400	80.20	116.90
<i>Growth</i>		<b>68.8%</b>		<b>45.8%</b>
<b>TOTAL Operating income</b>	<b>10084.60</b>	<b>11450.10</b>	<b>30576.00</b>	<b>34830.10</b>
<i>Growth</i>		<b>13.5%</b>		<b>13.9%</b>
Cost of material consumed	5416.3	6692.4	16444.70	19701.10
Purchase of stock in trade	454.7	522	1378.20	1528.30
Changes of inventories	28.9	-348.9	83.00	-330.50
<b>Total raw material consumed</b>	<b>5899.9</b>	<b>6865.5</b>	<b>17905.9</b>	<b>20898.9</b>
<b>% OF OPERATING INCOME</b>	<b>58.5%</b>	<b>60.0%</b>	<b>58.6%</b>	<b>60.0%</b>
<i>Growth</i>		<b>16.4%</b>		<b>16.7%</b>
Employee expenses	527.4	578.5	1481.00	1694.60
<i>Growth</i>		<b>9.7%</b>		<b>14.4%</b>
<b>% OF OPERATING INCOME</b>	<b>5.2%</b>	<b>5.1%</b>	<b>4.8%</b>	<b>4.9%</b>
Other expenses	1841.9	2083.70	5523.40	6028.20
<b>% OF OPERATING INCOME</b>	<b>18.3%</b>	<b>18.2%</b>	<b>18.1%</b>	<b>17.3%</b>
<i>Growth</i>		<b>13.1%</b>		<b>9.1%</b>
<b>TOTAL EXPENDITURE</b>	<b>8269.2</b>	<b>9527.7</b>	<b>24910.3</b>	<b>28621.7</b>
Other Income	246.3	197.6	751.10	537.90
EBITDA	2061.70	2120.00	6416.80	6746.30
<b>EBIDTA ( Excl Other Income)</b>	<b>1815.40</b>	<b>1922.40</b>	<b>5665.70</b>	<b>6208.40</b>
<b>EBIDTA MARGINS</b>	<b>18.0%</b>	<b>16.8%</b>	<b>18.5%</b>	<b>17.8%</b>
<i>Growth</i>		<b>5.9%</b>		<b>9.6%</b>
Depreciation	175.7	193.7	519.80	561.20
EBIT	1886.00	1926.30	5897.00	6185.10
Interest	0		0.00	0.00
Reversal of depreciation			0.00	0.00
<b>PBT</b>	<b>1886.00</b>	<b>1926.30</b>	<b>5897.00</b>	<b>6185.10</b>
<b>Exceptional Items</b>			0.00	
TAX	646.4	674.8	1999.30	2079.20
TAX RATE	34.3%	35.0%	33.9%	33.6%
Net Profit Reported	1239.60	1251.50	3897.70	4105.90
Non Controlling Interest			0.00	
<b>PAT Adjusted</b>	<b>1239.60</b>	<b>1251.50</b>	<b>3897.70</b>	<b>4105.90</b>
<i>Growth</i>		<b>1.0%</b>		<b>5.3%</b>
<b>NPM</b>	<b>12.00%</b>	<b>10.74%</b>	<b>12.44%</b>	<b>11.61%</b>
<b>Other Comprehensive Income</b>	<b>-2.20</b>	<b>-5.20</b>	<b>-6.60</b>	<b>-15.70</b>
<b>Total Comprehensive Income</b>	<b>1237.40</b>	<b>1246.30</b>	<b>3891.10</b>	<b>4090.20</b>
Equity	538.9	538.9	538.9	538.9
<b>EPS on Adjusted PAT</b>	<b>2.30</b>	<b>2.32</b>	<b>7.23</b>	<b>7.62</b>



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

## Result Update@ Dalal & Broacha

### Disclaimer

**Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D& B** (CIN\_U67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. [www.dalal-broacha.com](http://www.dalal-broacha.com)

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

### Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

### Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

### Result Update@ Dalal & Broacha

Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	kunal.bhatia@dalal-broacha.com	022 67141442	Auto, Auto Ancillary, FMCG
Ms.Charulata Gaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Chemicals
Mr. Mayank Babla	Mayank.babla@dalal-broacha.com	022 67141441	IT/Media & Telecom
Mr Avinash Kumar	Avinash.kumar@dalal-broacha.com	02267141449	Capital Goods
Ms Richa.Singh	richa.singh@dalal-broacha.com	022 67141444	Auto

Address :- 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021

Tel: 91-22- 2282 2992, 2287 6173, (D) 6630 8667 Fax: 91-22-2287 0092

E-mail: research@dalalbroachaindia.com, equity.research@dalal-broacha.com