



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Kunal Bhatia (022) 67141442

Result Update @ Dalal & Broacha

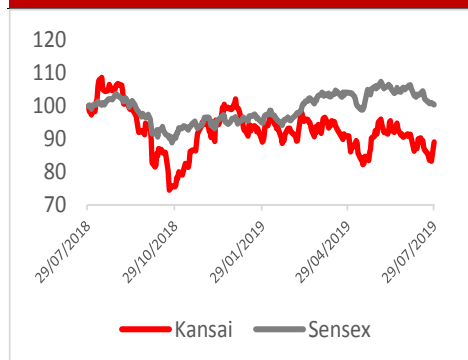
ACCUMULATE

Current Price	424
52 Week Range	Rs 540/343

Key Share Data

Market Cap (Rs.bn)	230.46
Market Cap (US\$ mn)	3340
No of o/s shares (mn)	538.91
Face Value	1.0
Monthly Avg. vol(BSE+NSE) Nos'000	216.77
BSE Code	500165
NSE Code	KANSAINER
Bloomberg	KNPL IN

Price performance



% Shareholding	Jun-19	Mar-19
Promoters	74.99	74.99
Institutions	15.41	15.36
Others	9.60	9.65
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	62.4	14.6	20.3
FY17	40,525.5	7.6	7,374.0	18.2	5,088.4	39.1	9.4	44.9	18.1	23.6
FY18	46,580.8	14.9	7,937.9	17.0	5,144.0	1.1	9.5	44.4	16.4	22.8
FY19	54,243.2	16.4	7,525.2	13.9	4,527.5	(12.0)	8.4	50.5	13.3	18.4
FY20e	58,138.6	7.2	8,199.0	14.1	4,792.5	5.9	8.9	47.7	12.9	18.5
FY21e	65,667.5	13.0	9,562.2	14.6	5,680.6	18.5	10.5	40.2	14.0	20.0

Kansai Nerolac Q1FY20 Standalone results were better than expectations, decorative segment (~55% of Revenues) grows in double digit this has helped offset the huge effect of the unprecedented slow-down in the automotive segment

Q1FY20 Revenues increased by 6.4% YoY to Rs 14634.7mn, decorative volume growth stood at ~12.5% to 13%.

EBIDTA increased by 13% YoY at Rs 2490.2mn. EBIDTA margins stood at 17% as 16% YoY and 13% QoQ.

Raw Material cost as percentage to Revenues stood at 61.7% v/s 61.7% (flat) YoY and 63.7% QoQ (on account of higher growth in decorative paints which is mainly retail business)

Employee cost increased by 6.2% YoY to Rs 675.5mn

Other Expenses as percentage to Revenues stood at 16.6% v/s 17.6% YoY

Input costs Raw Material cost was more or less static this quarter, 100bps improvement in over-heads led to better margins

Other Income declined by 52.1% YoY to Rs 65.1mn

Depreciation rose by 36.2% YoY to Rs 277.8mn (Rs 30.8mn increase led by IND AS116)

Interest cost at Rs 12.6mn v/s NIL last year (fully led by IND AS 116)

PBT increased by 6% YoY to Rs 2264.9mn. Tax Rate stood at 34.7% v/s 34.5% YoY.

PAT increased by 5.8% YoY to Rs 1479mn. Q1FY20 EPS stood at 2.74 v/s 2.59 YoY

Other KTA's

-Demand: in Decorative segment to remain buoyant but expects challenges of demand to continue in Industrial for the near future. **Auto** segment is expected to remain under pressure for another 2 to 3 quarters, Performance + Powder coating and decorative compensated for the downfall of Auto in Q1FY20.

-Continued exchange rate and crude oil volatility have kept raw material price levels high.

-Industrial Segment: the company still seeks to get price increase to compensate for the overall inflation, however since these are long-term contracts price increase is not easy.

Going forward the management has maintained longterm outlook of double digit growth in case of decorative paints

Valuation @ Rs 424 47.7x FY20e EPS of Rs 8.9 and 40x FY21e EPS of Rs 10.5, maintain **Accumulate**



Result Update@ Dalal & Broacha

Particulars (Rs Mns)	Q1FY19	Q1FY20
Net Sales (excluding Excise Duty & GST)	13669.90	14568.20
<i>Growth</i>		6.6%
Other Operating Income	89.300	66.500
<i>Growth</i>		-25.5%
TOTAL Operating income	13759.20	14634.70
<i>Growth</i>		6.4%
Cost of material consumed	8080.200	7092.100
Purchase of stock in trade	620.1	684.9
Changes of inventories	-209.5	1259.3
Total raw material consumed	8490.8	9036.3
% OF OPERATING INCOME	61.7%	61.7%
<i>Growth</i>		6.4%
Employee expenses	636.3	675.5
<i>Growth</i>		6.2%
% OF OPERATING INCOME	4.6%	4.6%
Other expenses	2427.60	2432.70
% OF OPERATING INCOME	17.6%	16.6%
<i>Growth</i>		0.2%
TOTAL EXPENDITURE	11554.7	12144.5
Other Income	136	65.1
EBITDA	2340.50	2555.30
EBIDTA (Excl Other Income)	2204.50	2490.20
EBIDTA MARGINS	16.0%	17.0%
<i>Growth</i>		13.0%
Depreciation	204	277.8
EBIT	2136.50	2277.50
Interest		12.6
Reversal of depreciation		
PBT	2136.50	2264.90
Exceptional Items		
TAX	738.1	785.9
TAX RATE	34.5%	34.7%
Net Profit Reported	1398.40	1479.00
Non Controlling Interest		
PAT Adjusted	1398.40	1479.00
<i>Growth</i>		5.8%
NPM	10.06%	10.06%



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

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
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



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Result Update@ Dalal & Broacha

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. Avinash Tanawade	avinash.tanawade@dalal-broacha.com	022 67141449	BFSI
Ms. Abhilasha Satale	Abhilasha.satale@dalal-broacha.com	022 67141435	Mid-cap Senior analyst
Mr. Mayank Babla	mayank.babla@dalal-broacha.com	022 67141412	I.T/Media/Telecom
Mr Suraj Nandu	suraj.nandu@dalal-broacha.com	022 67141438	Associate
Ms. Nidhi Babaria	nidhi.babaria@dalal-broacha.com	022 67141450	Associate
Mr. Tanush Mehta	Tanush.mehta@ dalal-broacha.com	022 67141441	Associate



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Result Update@ Dalal & Broacha

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

Tel: 91-22- 2282 2992, 2287 6173, Fax: 91-22-2287 0092

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