



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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Result Update @ Dalal & Broacha

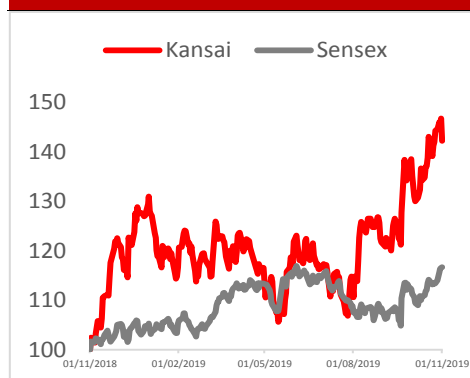
Buy on Dips

Current Price	538
52 Week Range	Rs 573/372

Key Share Data

Market Cap (Rs.bn)	280.97
Market Cap (US\$ mn)	3957
No of o/s shares (mn)	538.91
Face Value	1.0
Monthly Avg. vol(BSEgrew byNSE)	
Nos'000	217.08
BSE Code	500165
NSE Code	KANSAINER
Bloomberg	KNPL IN

Price performance



% Shareholding

	Sept-19	Jun-19
Promoters	74.99	74.99
Institutions	15.80	15.41
Others	9.21	9.60
Total	100.0	100.0

Key Financials (in mn)

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE%	RoCE%
FY17	40,525.5	7.6	7,374.0	18.2	5,088.4	39.1	9.4	57.0	18.1	23.6
FY18	46,580.8	14.9	7,937.9	17.0	5,144.0	1.1	9.5	56.4	16.4	22.8
FY19	54,243.2	16.4	7,525.2	13.9	4,527.5	(12.0)	8.4	64.0	13.3	18.4
FY20e	56,135.3	3.5	8,731.9	15.6	5,590.4	23.5	10.4	51.9	14.9	19.0
FY21e	63,403.8	12.9	10,091.7	15.9	6,656.6	19.1	12.4	43.6	16.0	20.1

Results below our estimates on topline, however EBIDTA margins in line @ 17.1% v/s 15.1% YoY

Revenues de-grew by 3.9% YoY to Rs 12369.8m. **Decorative** grew by 8.5% value (double digit in volumes). **Auto** de-grew by 22% for Q2FY20

EBIDTA grew by 9.2% YoY to Rs 2129.3. **EBIDTA margins** stood at 17.1% as against 15.1% YoY and 17% QoQ.

Raw Materials to Revenues 61.6% v/s 64.5% YoY and 61.7% QoQ

Other expenses to Revenues 15.7% v/s 15.6% YoY (range maintained despite lower sales on account of cost efficiency efforts)

Employee cost grew by 10% YoY to Rs 693.6mn

PBT was flat at Rs 1869mn mainly on account to higher depreciation which grew by 24.1% YoY to Rs 286.4mn (**on account of new plant commencement at Goindwal Sahib near Amritsar in Punjab** and drop in other income by 52.1% YoY to Rs 139.9mn

Tax credit of Rs. 64mn v/s Charge of Rs.638.7mn YoY on account of adoption to the new tax regime. **PAT** grew by 58.5% YoY to Rs 1933.9mn

Other KTA's from management

Decorative: Kashmir where company is a leader witnessed 0 growth / Extended monsoon, floods in many key states impacted sales

H2FY20 Decorative volume growth to be in **double digit** aided by good rabi crop that will aid rural income.

Industrial:

Challenges in industrial demand continue in the near future.

H2FY20 auto is expected to witness double digit de-growth (as BS6 and liquidity challenges continue). **Industrial** i.e. powder coatings and others single digit

Overall flat to slightly positive

Input costs are stable, **Margins** should be maintained as raw material expected to be benign and cost control initiatives continue

Valuation@538: Kansai Nerolac is a leader in auto paints, thus we expect stock to remain under pressure in short-term due to volatility in auto numbers. There is some revival on MoM basis; and 6-12 months onward the scenario is expected to be better in case of Auto as well as industrial (~45% of business).

We **revise** our recommendation to **Buy on Dips** from **Accumulate** earlier. The stock is trading at 51.9x FY20e EPS of Rs. 10.4 and 43.6x FY21e EPS of Rs. 12.4.



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Particulars (Rs Mns)	Q2FY19	Q2FY20
Net Sales (net of Discounts and Rebates)	14148.7	13856.9
<i>Growth</i>		-2.1%
Net Sales (excluding Excise Duty & GST)	12862.50	12369.80
<i>Growth</i>		-3.8%
Other Operating Income	76.300	65.400
<i>Growth</i>		-14.3%
TOTAL Operating income	12938.80	12435.20
<i>Growth</i>		-3.9%
Cost of material consumed	8193.500	7568.400
Purchase of stock in trade	578.6	635
Changes of inventories	-428.5	-542.2
Total raw material consumed	8343.6	7661.2
% OF OPERATING INCOME	64.5%	61.6%
<i>Growth</i>		-8.2%
Employee expenses	631.3	693.6
<i>Growth</i>		9.9%
% OF OPERATING INCOME	4.9%	5.6%
Other expenses	2014.40	1951.10
% OF OPERATING INCOME	15.6%	15.7%
<i>Growth</i>		-3.1%
TOTAL EXPENDITURE	10989.3	10305.9
Other Income	139.9	39.4
EBITDA	2089.40	2168.70
EBIDTA (Excl Other Income)	1949.50	2129.30
EBIDTA MARGINS	15.1%	17.1%
<i>Growth</i>		9.2%
Depreciation	230.8	286.4
EBIT	1858.60	1882.30
Interest		12.4
Reversal of depreciation		
PBT	1858.60	1869.90
Exceptional Items		0.6%
TAX	638.7	-64.0
TAX RATE	34.4%	-3.4%
Net Profit Reported	1219.90	1933.91
Non Controlling Interest		
PAT Adjusted	1219.90	1933.90
<i>Growth</i>		58.5%
NPM	9.33%	15.50%
Other Comprehensive Income	-3.80	-4.90
Total Comprehensive Income	1216.10	1929.00
Equity	538.9	538.9
EPS on Adjusted PAT	2.26	3.59



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