



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

Analyst: Kunal Bhatia (022) 67141442

## Q2FY21 Result Update @ Dalal & Broacha

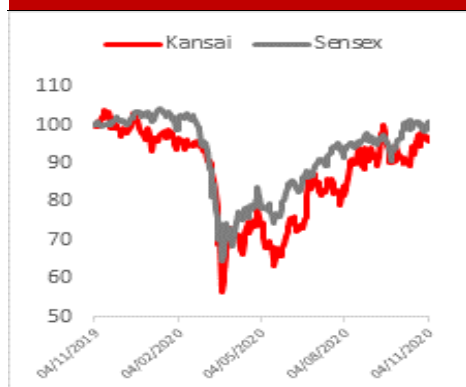
### BUY

Current Price	514
52 Week Range	Rs 556/296
Target-Price	590
Upside	15%

### Key Share Data

Market Cap (Rs.bn)	280
Market Cap (US\$ mn)	3779
No of o/s shares (mn)	539
Face Value	1
Monthly Avg. vol (BSEgrew byNSE)	
Nos'000	212
BSE Code	500165
NSE Code	KANSAINER
Bloomberg	KNPL:IN

### Price performance



% Shareholding	Sep-20	Jun-20
Promoters	74.99	74.99
Institutions	16.22	16.07
Others	8.79	8.94
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### Key Financials (in mn)

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE%	RoCE%
FY18	46,580.8	14.9	7,937.9	17.0	5,144.0	1.1	9.5	53.9	16.4	22.8
FY19	54,243.2	16.4	7,525.2	13.9	4,527.5	(12.0)	8.4	61.2	13.3	18.4
FY20	52,799.7	(2.7)	8,044.6	15.2	5,210.1	15.1	9.7	53.2	13.9	16.8
FY21e	45,114.4	(14.6)	7,913.0	17.5	4,862.9	(6.7)	9.0	57.0	11.9	14.9
FY22e	65,960.3	46.2	10,632.1	16.1	7,083.5	45.7	13.1	39.1	15.6	19.5

### Kansai standalone Q2FY21 results better than expectations, delivers double digit volume growth in decorative

- Revenues declined by 3.6% YoY to Rs 12880mn up by 117% QoQ
- EBIDTA increased by 21.8% YoY to Rs 2593mn
- EBIDTA Margins stood at 20.1% v/s 17.1% YoY and 13.5% QoQ (highest in atleast 36 quarters) supported by benign Raw material prices and judicious control over costs
- PAT (adjusted) declined by 12.4% YoY to Rs 1693mn, mainly due to lower tax last year.

### Other Details:

- Raw Mat to Revenues 60.8% v/s 61.6% YoY and 58.4% QoQ
- Employee cost was down by 7.8% YoY to Rs 639mn and flat on a QoQ basis
- Other Expenses as % to Revenues stood at 14.1% v/s 15.7% YoY
- PBT increased by 22.8% YoY to Rs 2296mn
- Tax rate stood at 26.2% v/s -3.4% YoY

### Conference call and Management KTA's

#### Decorative (~55% of revenues) witnessed double-digit volume

- Volume was +15% in Q2FY21, value growth 7% (some discounts given to remain competitive and higher contribution of low end) Growth is higher from Tier-2 and Tier 3 towns in comparison to Metro and Tier 1 while metros like Mumbai remain affected
- Emulsions picked up on a QoQ basis (mainly in popular and economy) / initially enamel and Putty demand was higher.
- No Down-trading visible
- Tier-1 and Metros pick-up is slower than Tier2&3 (Industry wise Tier-1 and Metros contribute ~30% and slightly lower for Kansai)
- Longer-time-frame on account of late Diwali would help demand
- Putty contribution in-line with industry (less than 10% for Kansai)
- Virus guard 1<sup>st</sup> Anti-viral paint launched



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

**Q2FY21 Result Update@ Dalal & Broacha****Industrial business improving MOM**

- Auto (~32% of Revenues) witnessed recovery in Sept-20, and Q3FY21 should be better, post that demand remains uncertain
- Industrial products i.e. powder and high-performance coatings picked up only in Sept-20
- Perma-construction chemical when acquired was mainly project based now expanding to retail as well, 40-50% of Kansai's Network can sell this product, 25% covered till date.
- Water Proofing contribution of Kansai would be lower than industry as launched 2-3 years back
- 4-5 new products launched in construction chemicals / nowadays people are more pro-active in using these products.
- Adhesives business (under Nerofix) was slow, adding distributors to improve growth

**Outside India business scenario:**

- Nepal Q1 and Q2 continue to be under lock-down
- Bangladesh QoQ basis improved
- Sri-Lanka remains under pressure
- *Note: (All Subs form ~7% of Cons Revenues)*

**Other Key Takeaways**

- Distributions additions Q2FY21 +4to5% in tier2 & 3, tier-1 nil / plan to add 10% every year
- Gross Margins: RM prices are firming up
- EBIDTA Margins in low-end and premium paints similar
- Capex Rs 1.5bn to 1.75bn for FY21 (of which Rs 0.6bn is towards maintenance capex)

**Raw Material remains benign, however volatility in crude oil prices and forex makes outlook uncertain.**

**Outlook:**

Positive but cautious

With metros opening up premium products contribution too shall rise.

Outlook on auto for the next-quarter remains positive.

**Valuations Revised:**

**At CMP of Rs 514 the stock trades at 57x FY21e EPS of Rs 9 and 39x FY22e EPS of Rs 13.1.** We expect some catch-up in-terms of valuation with its peers like Asian Paints, recommend **Buy with a target price of Rs 590 i.e upside of 15%.**



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

### Q2FY21 Result Update@ Dalal & Broacha

Particulars (Rs Mns)	Q2FY21	Q2FY20	Growth	Q1FY21	Growth
Net Sales ( excluding Excise Duty & GST)	12780.3	12369.8	3.3%	5904.3	116.5%
Other Operating Income	100.6	65.4	53.8%	76.2	32.0%
<b>TOTAL Operating income</b>	<b>12880.9</b>	<b>12435.2</b>	<b>3.6%</b>	<b>5980.5</b>	<b>115.4%</b>
Cost of material consumed	7367.2	7568.4	-2.7%	2300.6	220.2%
Purchase of stock in trade	874.9	635	37.8%	434.7	101.3%
Changes of inventories	-416.8	-542.2	-23.1%	754.4	-155.2%
<b>Total raw material consumed</b>	<b>7825.3</b>	<b>7661.2</b>	<b>2.1%</b>	<b>3489.7</b>	<b>124.2%</b>
<b>% OF OPERATING INCOME</b>	<b>60.8%</b>	<b>61.6%</b>		<b>58.4%</b>	
Employee expenses	639.7	693.6	-7.8%	645	-0.8%
<b>% OF OPERATING INCOME</b>	<b>5.0%</b>	<b>5.6%</b>		<b>10.8%</b>	
Other expenses	1822.1	1951.1	-6.6%	1040.7	75.1%
<b>% OF OPERATING INCOME</b>	<b>14.1%</b>	<b>15.7%</b>		<b>17.4%</b>	
<b>TOTAL EXPENDITURE</b>	<b>10287.1</b>	<b>10305.9</b>	<b>-0.2%</b>	<b>5175.4</b>	<b>98.8%</b>
Other Income	43.4	39.4	10.2%	79.3	-45.3%
EBITDA	2637.2	2168.7	21.6%	884.4	198.2%
EBIDTA ( Excl Other Income)	2593.8	2129.3	21.8%	805.1	222.2%
<b>EBIDTA MARGINS</b>	<b>20.1%</b>	<b>17.1%</b>		<b>13.5%</b>	
Depreciation	330.3	286.4	15.3%	318.3	3.8%
Interest	11.1	12.4	-10.5%	13.2	-15.9%
<b>PBT</b>	<b>2295.8</b>	<b>1869.9</b>	<b>22.8%</b>	<b>552.9</b>	<b>315.2%</b>
<b>Exceptional Items</b>	<b>-108.2</b>				
TAX	602.1	-64	-1040.8%	125.8	378.6%
<b>TAX RATE</b>	<b>26.2%</b>	<b>-3.4%</b>		<b>22.8%</b>	
Net Profit Reported	1585.5	1933.9	-18.0%	427.1	271.2%
<b>PAT Adjusted</b>	<b>1693.7</b>	<b>1933.9</b>	<b>-12.4%</b>	<b>427.1</b>	<b>296.6%</b>
<b>NPM</b>	<b>13.1%</b>	<b>15.5%</b>		<b>7.0%</b>	
Equity	538.9	538.9	0.0%	538.9	0.0%
<b>EPS on Adjusted PAT</b>	<b>3.14</b>	<b>3.59</b>	<b>-12.4%</b>	<b>0.79</b>	<b>296.6%</b>



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

## Q2FY21 Result Update@ Dalal & Broacha

P&L (Rs mn)	FY18	FY19E	FY20	FY21E	FY22E	Cash Flow St. (Rs. mn)	FY18	FY19E	FY20	FY21E	FY22E
Net Sales	46,580.8	54,243.2	52,799.7	45,114.4	65,960.3	Net Profit	5,144.0	4,527.5	5,210.1	4,862.9	7,083.5
Raw Materials	(28,135.6)	(34,617.6)	(32,586.1)	(27,068.6)	(39,840.0)	Add: Dep. & Amort.	770.7	1,062.8	1,421.2	1,526.1	1,657.2
Employee Cost	(2,350.8)	(2,834.1)	(3,103.7)	(3,001.0)	(3,755.5)	<b>Cash profits</b>	<b>5,914.7</b>	<b>5,590.3</b>	<b>6,631.3</b>	<b>6,389.0</b>	<b>8,740.7</b>
Other Expenses	(8,156.5)	(9,266.3)	(9,065.3)	(7,131.7)	(11,732.6)	<b>(Inc)/Dec in</b>					
<b>Operating Profit</b>	<b>7,937.9</b>	<b>7,525.2</b>	<b>8,044.6</b>	<b>7,913.0</b>	<b>10,632.1</b>	-Sundry debtors	(1,122.0)	(529.2)	(314.2)	453.7	(2,342.4)
Depreciation	(770.7)	(1,062.8)	(1,421.2)	(1,526.1)	(1,657.2)	-Inventories	(1,259.8)	(2,818.8)	1,027.1	813.4	(3,199.1)
PBIT	7,167.2	6,462.4	6,623.4	6,386.9	8,974.9	-Loans/advances	(1,205.8)	(2,448.2)	623.0	(527.1)	(688.0)
Other income	709.1	605.2	255.3	257.7	552.7	-Current Liab and					
Interest	(6.7)	(99.7)	(209.1)	(213.4)	(92.7)	Provisions	1,813.0	(361.9)	(336.7)	(425.9)	1,985.4
PBT	7,869.6	6,967.9	6,669.6	6,431.2	9,434.9	Change in working capital	(1,774.6)	(6,158.1)	999.2	314.3	(4,244.2)
Exceptionals	-	-	-	-	-	<b>CF from Oper. activities</b>	<b>4,140.1</b>	<b>(567.8)</b>	<b>7,630.5</b>	<b>6,703.2</b>	<b>4,496.5</b>
Profit before tax (post exceptional)	7,869.6	6,967.9	6,669.6	6,431.2	9,434.9	<b>CF from Inv. activities</b>	<b>(3,360.0)</b>	<b>(1,820.3)</b>	<b>(5,456.2)</b>	<b>(1,357.9)</b>	<b>(2,500.0)</b>
Provision for tax	(2,732.1)	(2,491.3)	(1,511.8)	(1,620.7)	(2,377.6)	<b>CF from Fin. activities</b>	<b>(2,020.3)</b>	<b>(285.9)</b>	<b>(1,216.1)</b>	<b>(1,415.5)</b>	<b>(3,753.3)</b>
<b>Reported PAT</b>	<b>5,137.5</b>	<b>4,476.6</b>	<b>5,157.8</b>	<b>4,810.6</b>	<b>7,057.3</b>	<b>Cash generated/(utilised)</b>	<b>(1,240.2)</b>	<b>(2,674.0)</b>	<b>958.2</b>	<b>3,929.9</b>	<b>(1,756.8)</b>
MI	6.5	50.9	52.3	52.3	26.2	Cash at start of the year	4,876.4	3,636.2	962.1	1,920.3	5,850.2
<b>Net Profit</b>	<b>5,144.0</b>	<b>4,527.5</b>	<b>5,210.1</b>	<b>4,862.9</b>	<b>7,083.5</b>	Cash at end of the year	3,636.2	962.1	1,920.3	5,850.2	4,093.4
Adjusted Profit ( excl Excep	5,144.0	4,527.5	5,210.1	4,862.9	7,083.5						
<b>Balance Sheet</b>	<b>FY18</b>	<b>FY19E</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>Ratios</b>	<b>FY18</b>	<b>FY19E</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>
Equity capital	538.9	538.9	538.9	538.9	538.9	OPM	17.0	13.9	15.2	17.5	16.1
Reserves	30,784.3	33,624.4	37,064.1	40,468.1	44,824.4	NPM	10.9	8.3	9.8	10.7	10.6
<b>Net worth</b>	<b>31,323.2</b>	<b>34,163.3</b>	<b>37,603.0</b>	<b>41,007.0</b>	<b>45,363.4</b>	Tax rate	(34.7)	(35.8)	(22.7)	(25.2)	(25.2)
MI	163.8	200.9	216.8	164.5	138.4	<b>Growth Ratios (%)</b>					
<b>Non Current Liabilities</b>	<b>912.2</b>	<b>1,310.4</b>	<b>1,844.0</b>	<b>1,811.0</b>	<b>1,811.1</b>	Net Sales	14.9	16.4	(2.7)	(14.6)	46.2
<b>Current Liabilities</b>	<b>8,900.0</b>	<b>9,504.3</b>	<b>9,172.4</b>	<b>8,875.2</b>	<b>9,860.6</b>	Operating Profit	7.6	(5.2)	6.9	(1.6)	34.4
<b>Equities and Liabilities</b>	<b>41,299.2</b>	<b>45,178.9</b>	<b>48,836.2</b>	<b>51,857.8</b>	<b>57,173.3</b>	PBIT	7.4	(9.8)	2.5	(3.6)	40.5
<b>Non Current Assets</b>	<b>13,944.4</b>	<b>17,965.4</b>	<b>20,914.6</b>	<b>21,473.8</b>	<b>22,341.5</b>	PAT	1.1	(12.0)	15.1	(6.7)	45.7
Fixed Assets	13,792.5	17,618.4	19,231.7	19,988.8	20,831.6	<b>Per Share (Rs.)</b>					
Right to use of Assets			1,325.4	1,112.4	1,112.4	Net Earnings (EPS)	9.5	8.4	9.7	9.0	13.1
Goodwill	22.7	195.8	197.8	197.8	197.8	Cash Earnings (CPS)	11.0	10.4	12.3	11.9	16.2
Non Current Investments	7.1	9.6	8.5	8.5	8.5	Dividend	2.6	2.6	3.2	2.3	4.3
Deferred Tax Asset	-	-	-	-	-	Book Value	58.1	63.4	69.8	76.1	84.2
Long Term Loans and Advances	122.1	141.6	151.2	166.3	191.3	Free Cash Flow	1.4	(4.4)	4.0	9.9	3.7
<b>Current Assets</b>	<b>27,354.9</b>	<b>27,213.5</b>	<b>27,921.6</b>	<b>30,667.2</b>	<b>35,115.0</b>	<b>Valuation Ratios</b>					
<b>Current investments</b>	<b>5,199.6</b>	<b>1,955.6</b>	<b>3,051.0</b>	<b>2,621.9</b>	<b>2,621.9</b>	P/E(x)	<b>53.9</b>	<b>61.2</b>	<b>53.2</b>	<b>57.0</b>	<b>39.1</b>
Inventories	8,291.8	11,110.6	10,083.5	9,270.1	12,469.2	P/B(x)	8.8	8.1	7.4	6.8	6.1
Trade Receivables	7,026.4	7,555.6	7,869.8	7,416.1	9,758.5	EV/EBIDTA(x)	33.8	36.4	33.8	33.9	25.4
Cash and Bank Balances	3,636.2	962.1	1,920.3	5,850.2	4,093.4	Div. Yield(%)	0.5	0.5	0.6	0.4	0.8
Short Term Loans and Advances	33.2	52.2	48.7	65.8	75.7	<b>FCF Yield(%)</b>	<b>0.3</b>	<b>(0.9)</b>	<b>0.8</b>	<b>1.9</b>	<b>0.7</b>
Other Current Assets	3,167.7	5,577.4	4,948.3	5,443.1	6,096.3	<b>Return Ratios (%)</b>					
<b>Total Assets</b>	<b>41,299.2</b>	<b>45,178.9</b>	<b>48,836.2</b>	<b>52,141.0</b>	<b>57,456.5</b>	ROE	16%	13%	14%	12%	16%
						ROCE	23%	18%	17%	15%	19%



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

## Q2FY21 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
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.

## Q2FY21 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
Mrs.Charulata Gaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Mr. Mayank Babla	mayank.babladalal-broacha.com	022 67141412	I.T/Telecom/Media
Mr. Avinash Tanawade	avinash.tanawade@dalal-broacha.com	022 67141449	BFSI
Mr. Akshay Ashok	akshay.ashok@dalal-broacha.com	022 67141486	BFSI
Mr. Suraj Nandu	suraj.nandu@dalal-broacha.com	022 67141438	Associate

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