



Result Update @ Dalal & Broacha

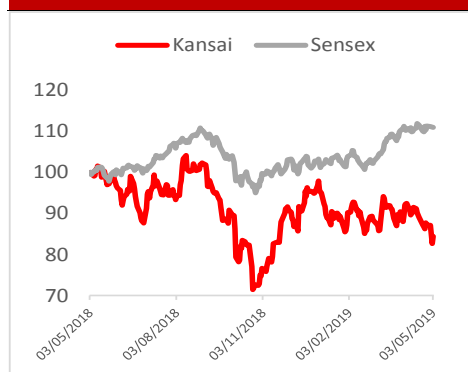
ACCUMULATE

Current Price	427
52 Week Range	Rs 540/343

Key Share Data

Market Cap (Rs.bn)	230.46
Market Cap (US\$ mn)	3292.75
No of o/s shares (mn)	538.91
Face Value	1.0
Monthly Avg. vol(BSE+NSE) Nos'000	195.54
BSE Code	500165
NSE Code	KANSAINER
Bloomberg	KNPL IN

Price performance



% Shareholding

	Mar-19	Dec-18
Promoters	74.99	74.99
Institutions	10.54	10.41
Others	14.47	14.60
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	45.2	18.1	23.6
FY18	46,580.8	14.9	7,937.9	17.0	5,144.0	1.1	9.5	44.7	16.4	22.8
FY19	54,243.2	16.4	7,525.2	13.9	4,527.5	(12.0)	8.4	50.8	13.3	18.4
FY20E	58,138.6	7.2	8,199.0	14.1	4,792.5	5.9	8.9	48.0	12.9	18.5
FY21E	65,667.5	13.0	9,562.2	14.6	5,680.6	18.5	10.5	40.5	14.0	20.0

Kansai Nerolac Q4FY19 Results below expectations, fall in Automotive demand had a negative impact

Overall market scenario remains un-certain, Auto sector would be under pressure for another quarter, **however the company has not lost any Market Share** and will continue with their capex plans of ~1.5bn to 2.0 bn for FY20 and FY21.

Q4FY19 Revenues increased by 4.5% YoY to Rs 11532mn, growth in **Decorative (55% of revenues)** was lower than in previous quarters, **Automotive segment** (34% of Revenues) witnessed negative growth and other OEM segments witnessed similar trends.

Volume growth stood at 4%+ for the decorative segment.

Industrial segment excluding auto (11% of revenues), witnessed negative volume growth for the quarter, but for full year FY19, company gained Market Share

Raw Material as percentage to revenues stood at 63.7% as against 62% YoY and 65.5% QoQ. Cost Pressures abated compared to earlier quarter, however price of derivatives remains high, Crude broke low levels of December and INR witnessed depreciation.

Employee Costs increased by 6.7% YoY to Rs 609.2mn

Other expenses as percentage to Revenues stood at 18% as against 17.5% YoY

EBIDTA for Q4FY19 declined by 11.4% YoY to Rs 1496mn. EBIDTA margins stood at 13% as against 15.3% YoY and 13.1% QoQ.

Other Income: declined by 22.4% YoY to Rs. 144.5mn. **Q4FY19 PBT** declined by 16% YoY to Rs 1406mn. **Tax Rate** for the Quarter stood at 34% as against 37% YoY **PAT** stood at 928mn down 12% YoY.

Other KTA's

- 1) Slowdown in consumer lending, uncertainty over election & monsoon has led to postponement in general purchase of Automotive vehicles
- 2) Total Number of Dealers stood at 24500, an increase of 10% YoY
- 3) Company does not maintain more than 40-45 days of **inventory**, avoiding any hedging costs and losses
- 4) Price Increase in B2C business, i.e. Decorative paints has been taken but Industrial (including auto) it is difficult since these are long term contracts
- 5) Utilization stood at 75% with an overall capacity of 450000

Valuations @ Rs427: 48x FY20e EPS of Rs 9 and 40.6x FY21e EPS of Rs 10.5. The stock would remain under pressure over short to medium term period (2quarters) mainly due to auto slowdown. We recommend **Accumulate on dips**.



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Particulars (Rs Mns)	Q4FY18	Q4FY19
Net Sales (excluding Excise Duty & GST)	10982.70	11419.80
Growth		4.0%
Other Operating Income	52.900	111.800
Growth		111.3%
TOTAL Operating income	11035.60	11531.60
Growth		4.5%
Cost of material consumed	7047.700	7725.600
Purchase of stock in trade	608.1	703.3
Changes of inventories	-814	-1080.3
Total raw material consumed	6841.8	7348.6
% OF OPERATING INCOME	62.0%	63.7%
Growth		7.4%
Employee expenses	571	609.2
Growth		6.7%
% OF OPERATING INCOME	5.2%	5.3%
Other expenses	1933.50	2077.50
% OF OPERATING INCOME	17.5%	18.0%
Growth		7.4%
TOTAL EXPENDITURE	9346.3	10035.3
Other Income	186.3	144.5
EBITDA	1875.60	1640.80
EBIDTA (Excl Other Income)	1689.30	1496.30
EBIDTA MARGINS	15.3%	13.0%
Growth		-11.4%
Depreciation	196.7	234.8
EBIT	1678.90	1406.00
Interest		
Reversal of depreciation		
PBT	1678.90	1406.00
Exceptional Items		
TAX	620.8	477.8
TAX RATE	37.0%	34.0%
Net Profit Reported	1058.10	928.20
Non Controlling Interest		
PAT Adjusted	1058.10	928.20
Growth		-12.3%
NPM	9.43%	7.95%
Other Comprehensive Income	4.80	20.40
Total Comprehensive Income	1062.90	948.60
Equity	538.9	538.9
EPS on Adjusted PAT	1.96	1.72



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