



KANSAI NEROLAC PAINTS LIMITED

Investor Presentation

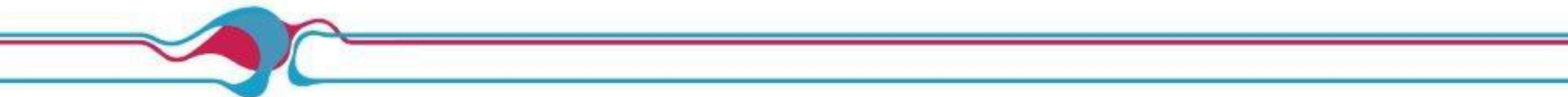
2016-17

June 2017



Disclaimer

This presentation may contain statements which reflect management's current views and estimates and could be construed as forward making statements. The future involves certain risks and uncertainties that could cause actual results to differ materially from the current views being expressed. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures and regulatory developments.



Agenda

Business Environment FY 16-17

Financial performance FY 16-17

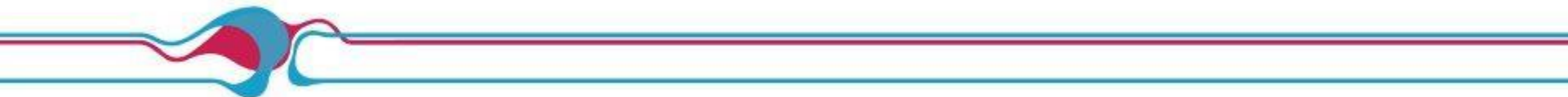
Business Review FY 16-17

Risks and future outlook



Business Environment 16-17

- ❑ Challenging business environment with domestic economic activity showing signs of modest improvement
- ❑ Infrastructure slowdown and weak demand climate from the manufacturing sector weighing down on the economy
- ❑ Demonetization in Q3 resulted in sales drop in both rural as well as urban markets
- ❑ Industrial production data points to a slow recovery
- ❑ Inflationary trend for the last 2 quarters
- ❑ On Global Front
 - ❖ Chinese economy slowdown has added to volatility
 - ❖ Uncertainty due to unexpected US elections result



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Financials

Q4 and 16-17

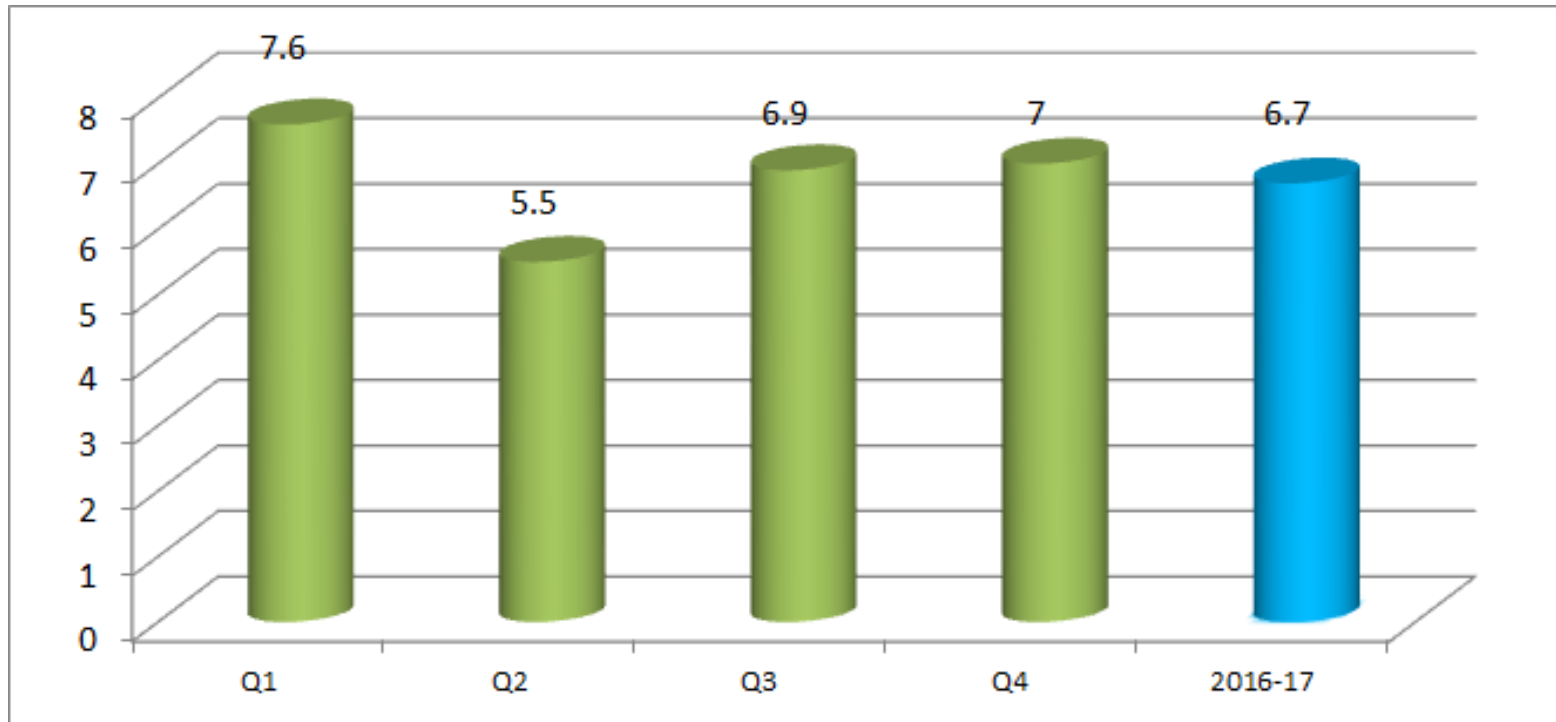
Rs. Crore

Standalone	Q4 1516	Q4 1617	% Gr	1516	1617	% Gr
Gross Sales	1063	1156	8.8	4604	4936	7.2
Net Sales	991	1060	7.0	4235	4520	6.7
PBDIT	135	164	21,8	580	731	26.0
PBDIT % of Net Sales	13.6	15.5		13.7	16.2	
PAT	84	116	38.3	364	506	39.2
PAT % of Net Sales	8.5	11.0		8.6	11.2	



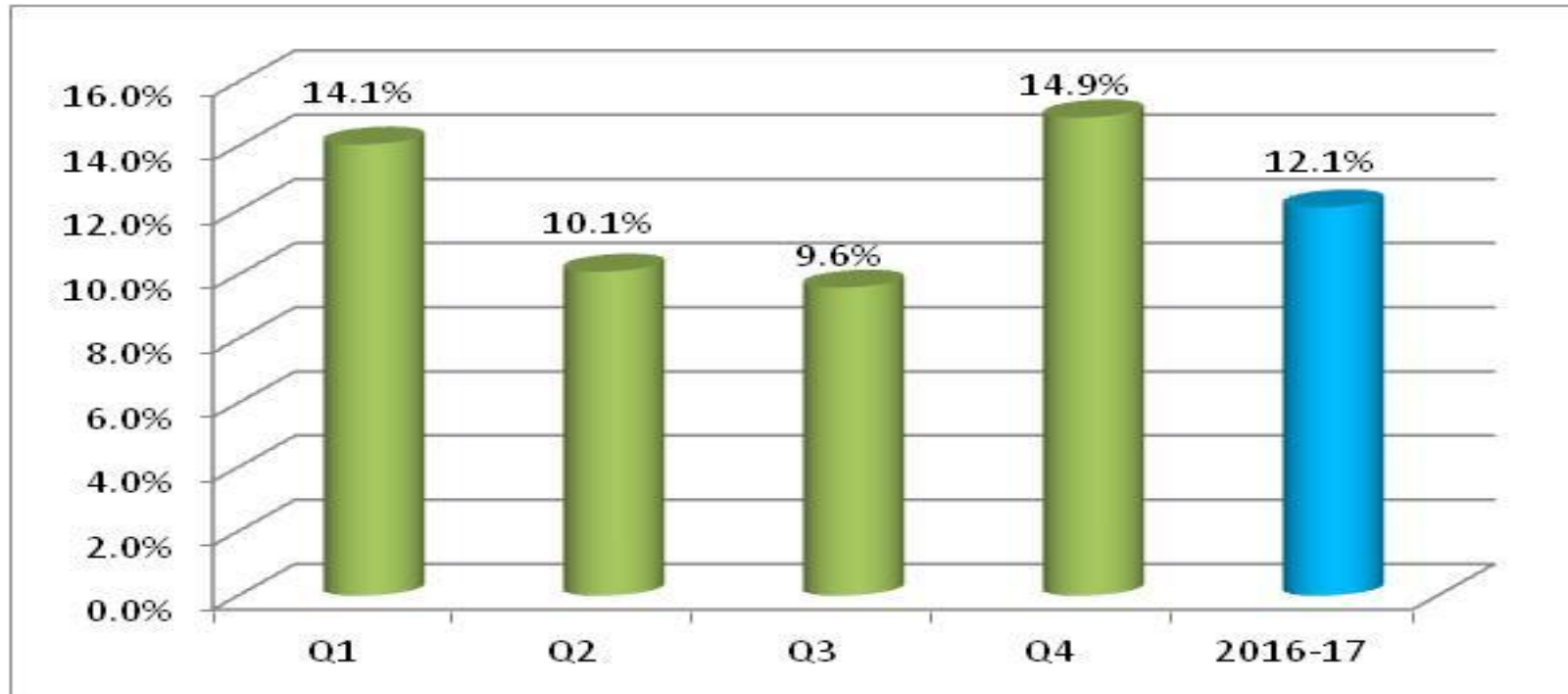
Growth Trend – Net Sales

(over LY same period)



Growth Trend – Volume

(over LY same period)



Dividend

14-15

- Total Dividend of Rs. 1.4 per share (140%)
- Earnings per share: Rs 5.04

15-16

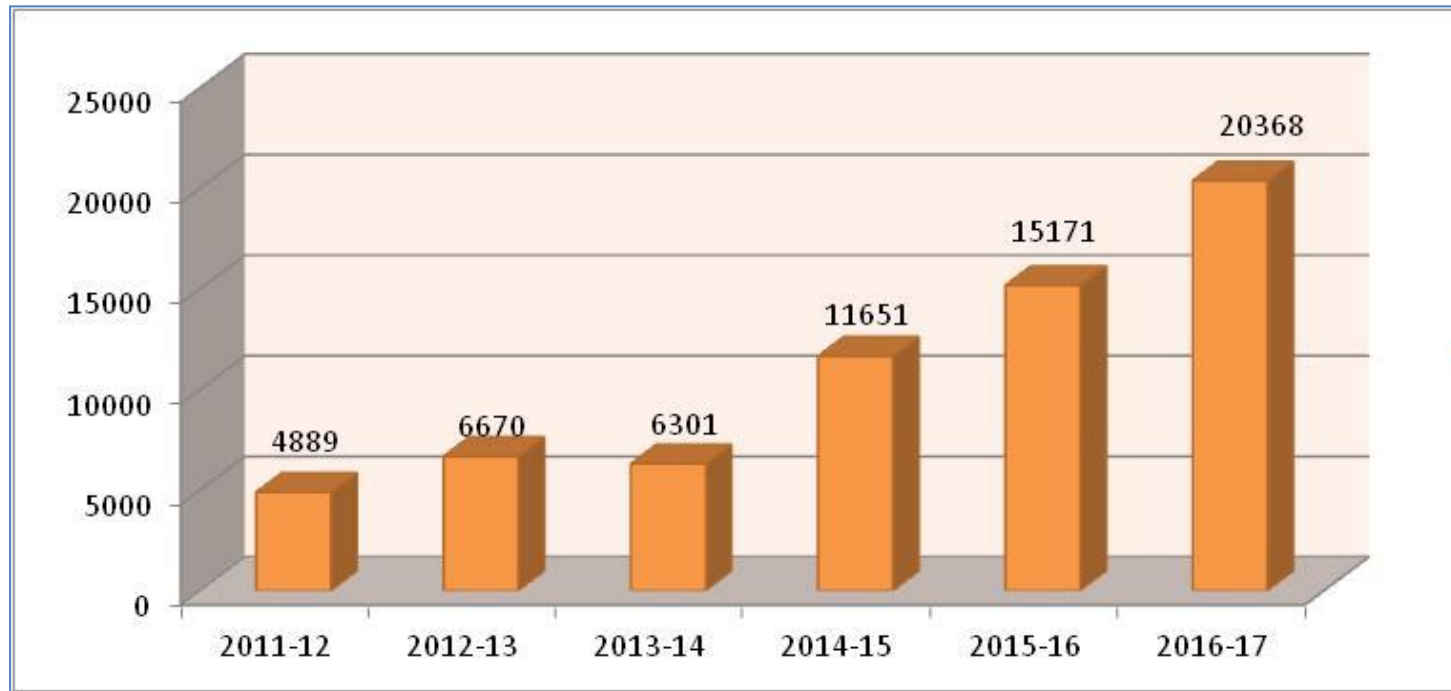
- Total Dividend of Rs. 3.05 per share (305%)
 - Normal Dividend Rs 1.80 (180%)
 - Special Dividend Rs 1.25 (125%)
- Earnings per share: Rs. 6.75 (without exceptional income)

16-17

- Total Dividend of Rs. 3.00 per share (300%)
 - Normal Dividend Rs 2.50 (250%)
 - Special Dividend Rs 0.50 (50%)
- Earnings per share: Rs. 9.39

****Face Value Rs 1**

Market Capitalization



Market Capitalization Rs Cr

****Face Value split Rs 10 to Re 1 during FY 2014-15**

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Decorative 1617

- ❑ Decorative Paints business registered double digit volume and higher than market value growth
- ❑ Cumulative price decrease around 2.6%
- ❑ Increase in Dealer Network and CCD penetration
 - ❑ Highest ever New Dealer Openings
- ❑ Increased visibility of the Brand
 - ❑ Tie up with IPL and ISL teams
 - ❑ Launch of new Website
 - ❑ Increase in Marketing Expenditure
 - ❑ Focus on Social Media campaigns



Decorative 1617

- ❑ Launched India's First Paint Advisory Service on phone

- ❑ Successful launch of new products
 - ❑ Excel Mica Marble
 - ❑ Impressions Glitter
 - ❑ Alkali Primer
 - ❑ Ready Mix – Primer + Putty

- ❑ Successful extension of New Brand – Soldier Paints to 18 states

- ❑ Institutional Business registered good growth

- ❑ Aggressive campaign for Impressions HD and Excel Mica Marble

- ❑ Higher sale of Emulsions



Decorative 1617



Soldier Paints stabilized



Aggressive Campaign for Impressions HD



Tie up with IPL team for Excel Mica Marble



Videos with highest views achieved

Industrial 1617

- ❑ Low growth in auto sector led to single digit volume growth in automotive coatings
- ❑ Capture of New Business and New CED lines led to further increase in Market Share
- ❑ Auto- refinish continues to grow at accelerated pace and better than the market
- ❑ KNPL witnessed low market growth in the Industrial Liquid Paints and Powder coating segment owing to higher base effect
- ❑ Many new and innovative products introduced for all segments of the market
- ❑ Company continued its push into new technologies and entered Coil coatings segment



International Operations

Nepal

- Higher than Market Growth in Nepal leading to Increase in Market Share

Lanka

- Factory set up
- Commenced operations in Q1 2017



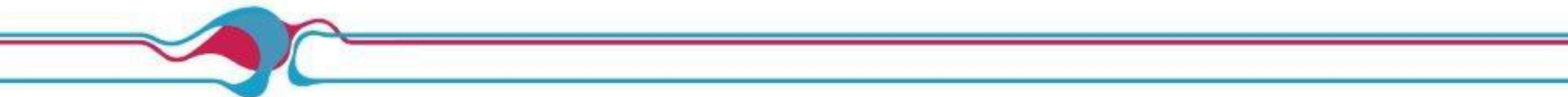
Other Areas 16 -17

- ❑ Strong commitment to EHS. Company's manufacturing facilities are certified for ISO 14001: 2004 and OHSAS 18001:2007
- ❑ All IT systems are upgraded to latest HANA database from SAP
- ❑ Company has made a strong push for Digitalization
- ❑ Company launched its Mobility initiative
- ❑ IT systems made GST ready



Costs 1617

- ❑ Inflationary pressures in Q3 and Q4 accelerated the cost of raw materials
- ❑ Tight availability of key raw materials in last quarter drove prices up
- ❑ Company increased marketing spend substantially
- ❑ Company continued to work on improvement in internal efficiencies

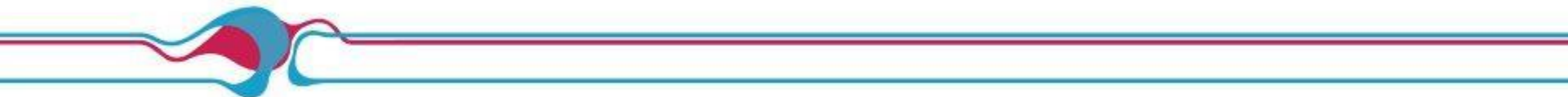


Profitability 16-17

- ❑ Material cost has decreased from 55.3% to 51.7% in Current year

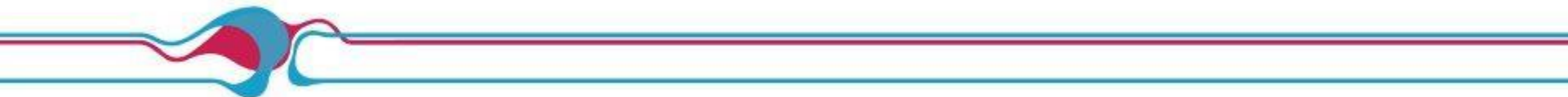
- ❑ This has primarily happened because of
 - ❑ Cost Reduction efforts
 - ❑ Reduction in crude oil prices in initial quarters
 - ❑ Constant cost review
 - ❑ Improved Product Mix
 - ❑ Use of innovative technology

- ❑ This has led to an improvement in profitability



Capacity Utilization 16-17

- ❑ Current Capacity is 364000 KL
- ❑ Capacity utilization is at 82%



Capex 16-17

- ❑ CAPEX for 1617 was about Rs. 89.6 Cr

- ❑ Work initiated for state of the art green field projects at AP with a capacity of 60000 KL /annum

- ❑ Work in progress as scheduled for the ongoing projects
 - ❑ New Plant Gujarat – 40000 KL/annum
 - ❑ New Plant Punjab – 36000 KL/annum
 - ❑ R&D lab at Navi Mumbai



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Risk and Outlook

- ❑ Domestic demand outlook remains uncertain, atleast over the short term.
 - ❑ However, we expect improvement in conditions going forward
 - ❑ Good growth in the agriculture sector coupled with reduced interest rates in the economy should provide necessary impetus for growth
 - ❑ On the industrial front, current improvement in demand conditions would need further support from pick-up in industrial activity & infrastructure push from Govt
 - ❑ Over the long term, a “less-cash” economy and implementation of GST, would push the demand to the formal sector
- ❑ Raw material prices have seen an upward trend in the last 2 quarters
- ❑ Prediction of below par monsoon can act as a dampener
- ❑ Series of anti dumping duties could affect profitability going forward



Thank You

