

NEROLAC





Investor Presentation (Update 19-20)





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 2019-20





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Recap of Business Environment 2019-20







Agenda

• Financial Performance FY 2019-20





Financial Analysis

Positives

Increased saliency of Decorative

Strong control on overheads

Input Costs showing a declining trend

Gross Profit increase across

Improvement in profitability by 150 basis points

Negatives

Unprecedented decline in Auto demand

Slowdown in Decorative demand

COVID 19 and Lock down

Exchange Volatility

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Financials – Standalone Q4 and FY 19-20

	Q4			12M						
Rs. Millions	2018-19	% to Net Sale	2019-20	% to Net Sale	Gr %	2018-19	% to Net Sale	2019-20	% to Net Sale	Gr %
Net Revenue	11532		9880		-14.3	51736		49432		-4.5
Material Costs	7349	63.7	6078	61.5		33025	63.8	30576	61.9	
Overheads	1956	17.0	1918	19.4		8434	16.3	8248	16.7	
PBDIT	1496	13.0	1278	12.9	-14.6	7420	14.3	7816	15.8	5.3
PAT	928	8.0	715	7.2	-23.0	4674	9.0	5354	10.8	14.6



Financials – Consolidated Q4 and FY 19-20

	Q4			12M						
Rs. Millions	2018-19	% to Net Sale	2019-20	% to Net Sale	Gr %	2018-19	% to Net Sale	2019-20	% to Net Sale	Gr %
Net Revenue	12212		10801		-11.6	54243		52800		-2.7
Material Costs	7779	63.7	6593	61.0		34620	63.8	32590	61.7	
Overheads	2140	17.5	2267	21.0		9115	16.8	9263	17.5	
PBDIT	1525	12.5	1342	12.4	-12.0	7525	13.9	8045	15.2	6.9
PAT	854	7.0	654	6.1	-23.4	4477	8.3	5158	9.8	15.2



Working Capital

Rs Million	FY 201	8-2019	FY 2019-2020		
WORKING CAPITAL	Value	NOD	Value	NOD	
Inventories	10528	116	9301	111	
Debtors	6740	37	6745	38	
Loans & Advances	5627		4934		
Cash & Bank balances (Excluding FD)	814		413		
Total	23709		21393		
Less: Curr. Liab. & Prov.	8781	72	7456	70	
NET WORKING CAPITAL	14928		13937		

Net Working Capital

- Absolute value reduction of Rs 991 M
- Major reduction in inventory Rs.1227 M
- Reduction in creditors Rs 1325 M.



Cash Flow

Particulars (Rs Million)	2018-19	2019-20
Profit Before tax	7134	6836
Add: Adjustment for Non-cash & non-operating items	400) 1077
Operating Profit Before Working Capital Changes	7534	7913
Changes in Working capital	(3452) (147)
Less : Direct tax paid	(2978) (1560)
Operating Cash Flow	1104	6206
Less: Capital expenditure	(5233) (2168)
Less: Investment in Subsidiaries	(831) (412)
Less: Dividend paid	(1689) (1689)
Less: Other payments	(86) (230)
Free Cash Flow	(6735) 1706

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Cash Position

Element (Rs Million)	31 st Mar 2019	31 st Mar 2020
Cash	813	380
Bank Fixed Deposit	0	1250
Treasury Investment	1960	3050
Total	2773	4690



Dividend

Financial Year	2017-18	2018-19	2019-20
Dividend %	260	260	315





Agenda

• Business Review FY 2019-20





Decorative

- Highlights
 - Shift towards bottom of pyramid products
 - Kashmir where company has a strong presence impacted
 - Prolonged monsoons/ Floods impacted demand during festive season
 - Soldier brand recorded growth of 18 %
 - Distribution expansion to 25000 dealers
 - Low end emulsions launched
 - New products well received
 - Nex Gen club launched for Dealers
 - Price decrease in select products amounting to 1.8 %



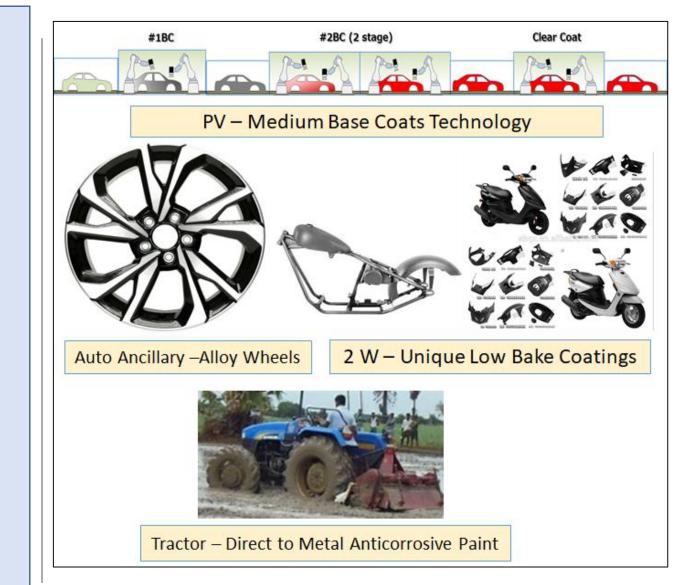






Automotive

- Highlights
 - Unprecedented slow down in Automotive
 - Considerable drop in Automotive production
 - Inflation in earlier years not fully compensated
 - Value Addition & Value Engineering (VA-VE) through the introduction of new products for productivity improvement, process improvement and energy saving

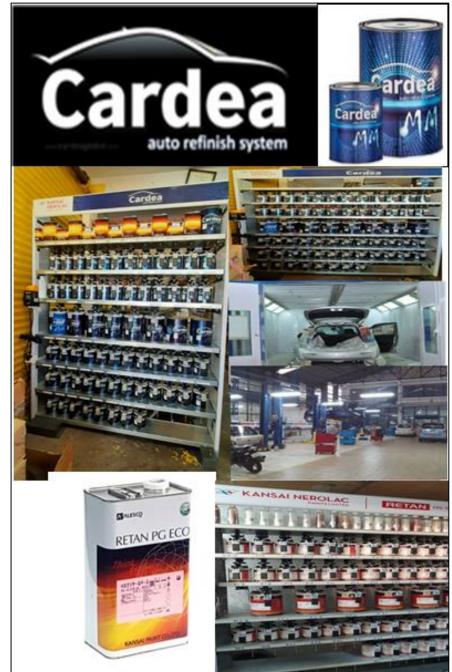




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Auto Refinish (Aftermarket)

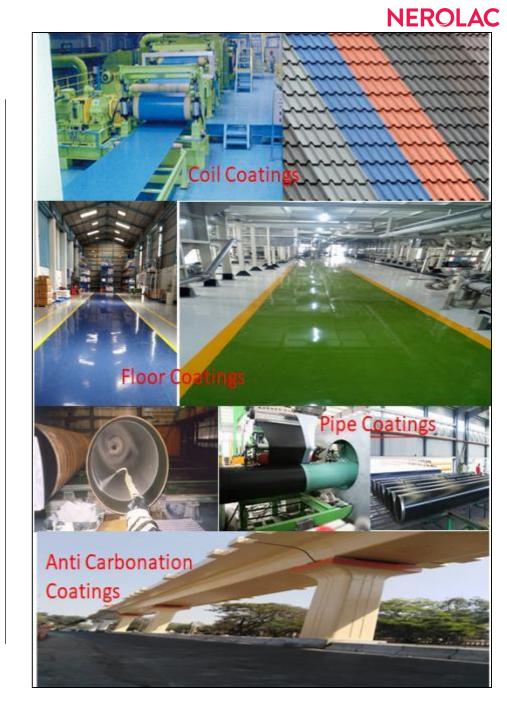
- Highlights
 - Business grew by 12 % in value terms
 - "Cardea" PU system for Mid tier Retail segment launched
 - Approval from Major OEMs
 - Training programs for dealerships





Performance Coatings

- Highlights
 - Company registered a high single digit growth
 - Company gained Market Share
 - Increased presence in Drums & Barrels, Electricals, PEB, Helmets
 - Significant traction in Coil Coatings
 - New Segments : Floor Coatings, Pipe Coatings and Coatings for Bridges (Anti Carbonation , C5 Fluro Polymer coatings and IP Net technology)

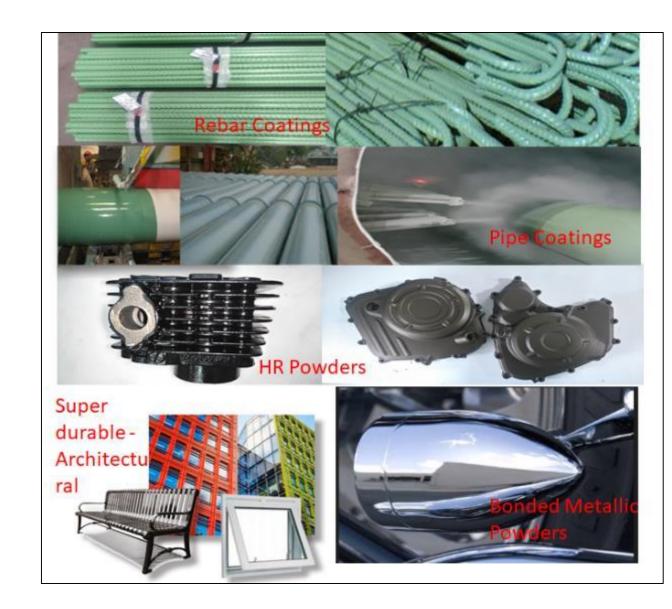


Powder Coatings

• Highlights

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- Company gained Market Share
- Increased Presence in Auto Ancillary, Electricals, AC and Furniture
- Entry into Rebar Coating, Pipe Coatings, HR Powders for Auto Components, Bonded Metallic Powders & Super Durable Powders





Subsidiaries - Domestics

- Marpol (Powders)
 - Overall growth at -7.4 %, affected due to slowdown in Automotive which contributes significantly to the portfolio
 - Planned capacity expansion completed for both powders and Polyester resin for captive consumption.
 - Capacity of FG increased by 15 % (460 MT) and of resin by 42 % (340MT)
 - EBITDA % at 8.7 from 5.2 in the previous year



- Perma (Construction Chemicals)
 - Expansion in retail
 - Nerolac Perma Range launched
 - EBITDA at 9 % from 6.4 %
- Nerofix (Adhesives)
 - JV launched in Adhesives with Polygel
 - New products launched
 - Expansion in Distribution





Subsidiaries – International

- Nepal
 - Topline growth of 2 %
 - Liquidity crisis
 - SAP ERP implemented
 - EBITDA at 16.4 % against LY 16.8 %
- Bangladesh
 - Topline growth of 20 %
 - EBITDA has turned positive and is at 1.8%
 - Nerolac range launched in Jan 2020

- Sri-Lanka
 - Topline growth of 3.5 %
 - Challenging market condition through out the year
 - Changes in Taxation structure
 - Company changed its Go-to-market approach which has started yielding results
 - Brand re-launch as Kansai S-Lon

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Capacity

- State of art Digital factory (Goindwal - Punjab)
- Commercial production commenced at Goindwal (52.8 M L Annual capacity)
- Company has also commissioned a CED facility at its Saykha Plant, Gujarat (12 M L Annual capacity)
- Brown field projects proceeding on schedule
- Total capacity stands at 518 M L





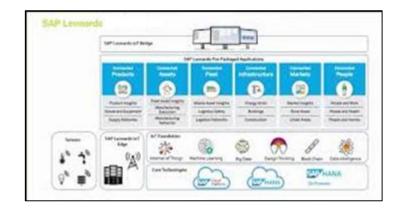
Strategic Initiatives

• Digital

- Machine Learning app with Chatbots based on SAP Leonardo implemented
- Pilot projects completed for IoT, RPA and Visual Analytics

• New Tie –ups

 Tied – up with ICRO TONE, an Italian Brand for High end Wood finishes



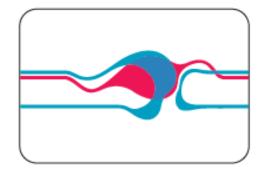




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Transforming key assets

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New Corporate Identity

PURPOSE Create Environments for a healthy and beautiful future

EXPRESSION Colors that care PROMISE Renew Life **Investor Presentation** May 2020

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Solar

Batterv

Chargers

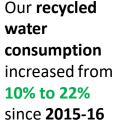
Environment -1/2

Water Management

ZERO LIQUID DISCHARGE across all plants through installation of Ultrafiltration (UF), Reverse Osmosis (RO) & Multi-effect Evaporator (MEE) treatment

systems





Spe	cific Water	Consumption (S	WC) (KL/	KL of FG)
1.56	1.56		1.58	
		1.49		

Waste Management : Haz. Waste reduction

Focus on Reduction at Source, co processing, recycle and reuse schemes etc



Specific Hazardous Waste Generation (SHWG) (Kg/KL of FG) 3.12 3.07 2.98 2.71 2.7 FY 2015-16 FY 2016-17 FY 2017-18 FY 2018-19 FY 2019-20

Carbon Footprint Move towards Carbon Neutrality Sola Tubes Solar Lamps



Health and Safety

Plants certified with ISO 45001 by an International Certification Agency



Energy Management:

FY 2015-16

FY 2016-17

- Shifted from HSD to environment friendly and low cost Solid Fuels and Biodiesel in boilers and for process heat generation.
- Captive wind turbine at Lote. Renewable Energy now at 23 % from 17% LY

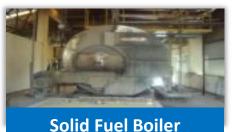
FY 2018-19

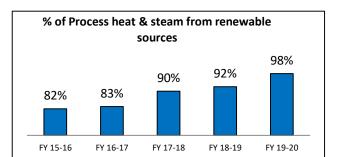
- By FY 2021-22, we aim to source 41% of our total energy consumption through renewable energy sources in Mfg.
- Additional **Solar Power** capacity of **900 KW** installed at Sayakha.

FY 2017-18



Roof Top Solar Panels





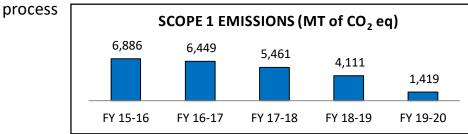
Environment -2/2

Emission Management

In FY 19-20, **Scope 1** emissions decreased by 79% as compared to FY 15-16

Also, Scope 1 emission Intensity decreased from 0.026 MT of CO₂ eq/KL of FG to 0.005 MT of CO₂ eq/KL of FG

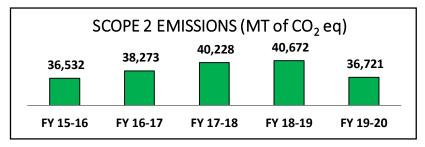
Decrease in Scope 1 emissions is due to the transition from HSD to environment friendly cleaner fuels in our



In FY 2019-20, **Scope 2** emissions increased by 1% as compared to FY 2015-16

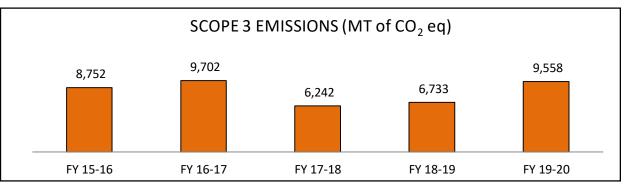
However, Scope 2 emission Intensity decreased by 12 % from 0.140 MT of CO₂ eq/KL of FG to 0.123 MT of CO₂ eq/KL of FG

Increase in Scope 2 emissions is due to change in base line (Increase in operational footprint)

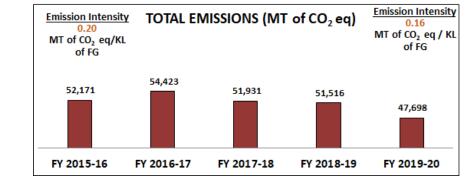


In FY 2019-20, **Scope 3** emissions increased by 9% as compared to FY 2015-16 But, Scope 3 emission Intensity decreased from 0.034 MT of CO_2 eq/KL of FG to 0.032 MT of CO_2 eq/KL of FG

Increase in Scope 3 emissions is due to the increase in change in base line (Increase in operational footprint and Depot-to-Depot transit of FG)



In FY 2019-20, total GHG emissions decreased by 9% as compared to FY 2015-16 Also, total GHG emission Intensity decreased from 0.20 MT of CO_2 eq/KL of FG to 0.16 MT of CO_2 eq/KL of FG



Sustainability disclosures complies to GRI 4.0 guidelines in

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Society



Rural development/Community development (Project Annapurna)



Preventive Health Care & Sanitation (Near Plants)





Promoting Education (Near Plants)



Ensuring Environmental Sustainability (Rain Water Harvesting)

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Governance

Internal Audit with Focus on Control Efficiency Index (CEI) Robust Control Index (RCI)

Online Compliance Tracking through Legatrix Software System enabled Enterprise Risk Management

Governance

Compliance

Risk



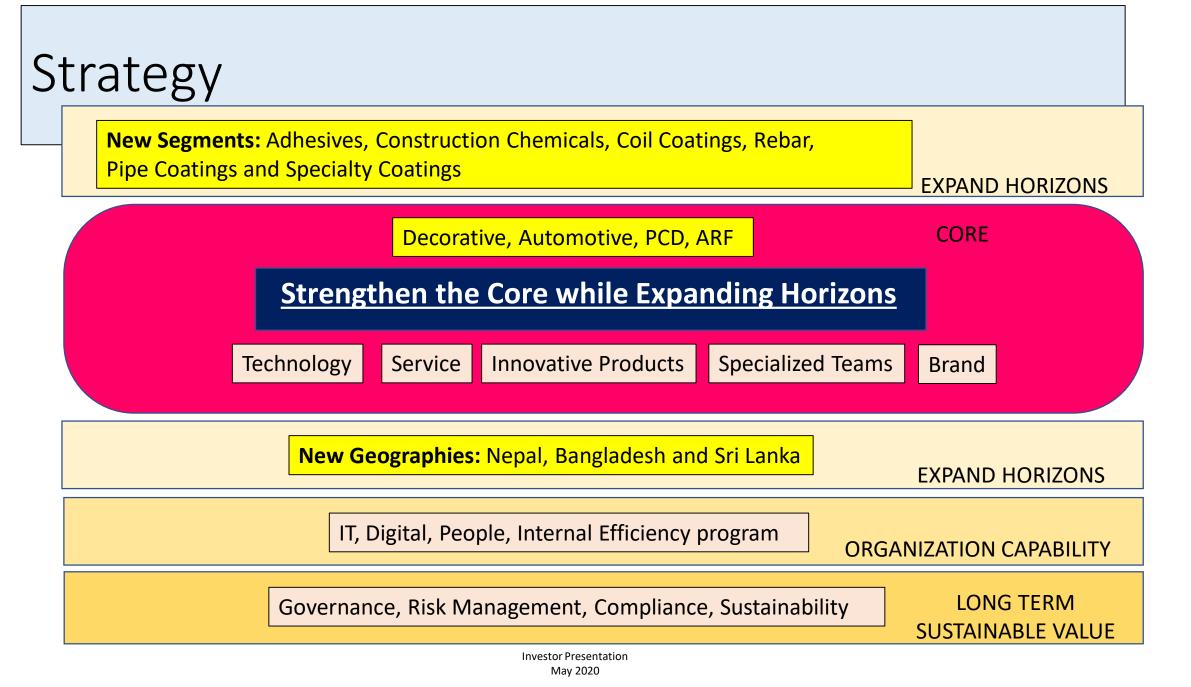


Agenda

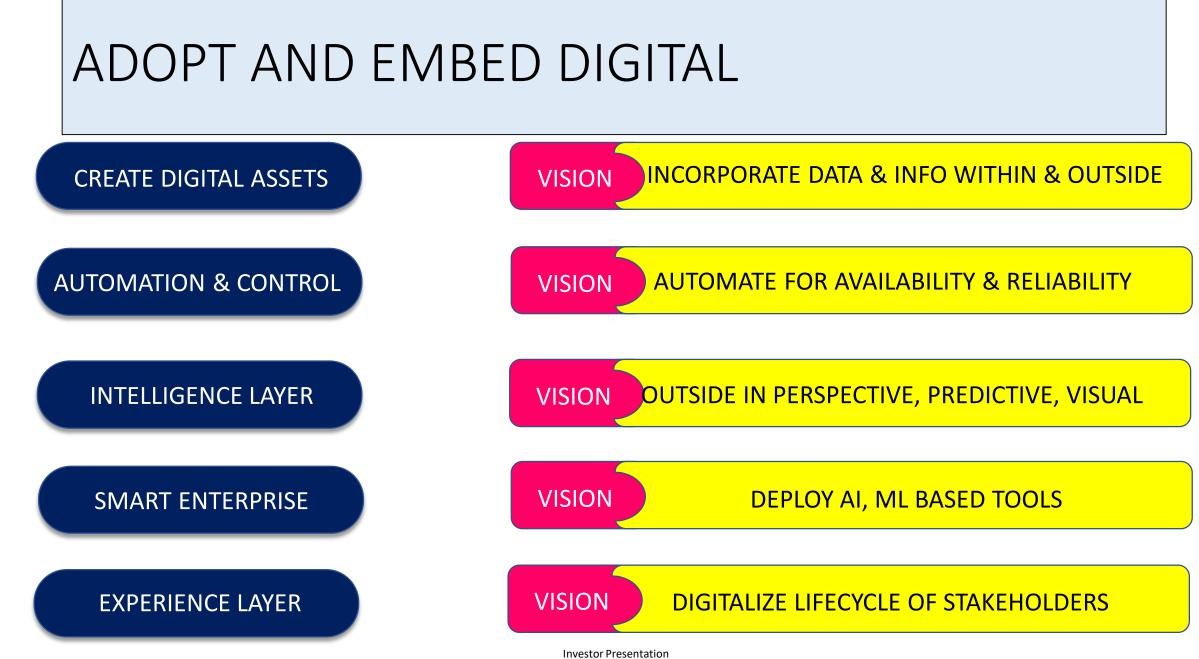
• Strategy











May 2020





Agenda

• COVID Risks and Organisation Response

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Fall out of Lock down (COVID 19)

- Business at stand-still from Mar 20
- April NIL sales



- Safe shut-down protocols activated for plants
- WFH protocols activated

Microsoft Teams

- Collaboration Tool100 % employees connected
- Remote working, Team meetings,
 Review tasks and achieve outcomes

Covid Help Desk

 Corporate Communication's Desk, Helpful Tips, FAQ's, Links on Advisories, Emergency Contact Team formed, Make a Request for help

Health & Wellness App

- A health care platform
- Personal Health Data, Knowledge Series, Fitness activity tracker, Deals and Discounts, Chat with Doctor







Security Protocols in place

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• BCP for its Call Center

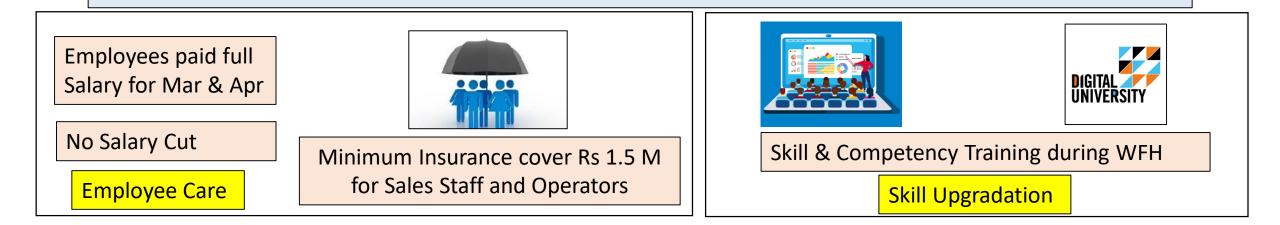
STAGE 2

STAGE 3

- Factories of KNP have progressively opened progressively
- Few of the KNP depots have now opened

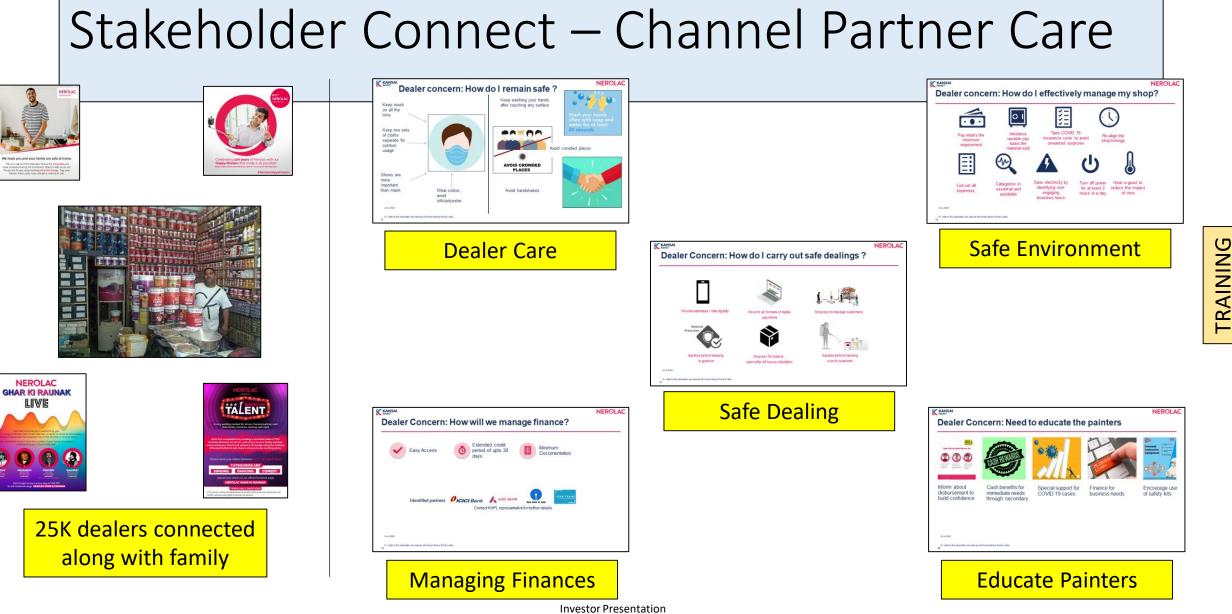


Stakeholder connect – Employees Care









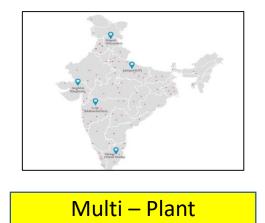
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Stake holder Connect – OEM Care

Safe Shut-down& Safe Start up





support



State of the Art R&D







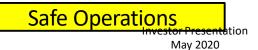






Warehouse and Truck Sanitization

Safe RM Storage





Stakeholder Connect – Painter Care









Stakeholder Connect – Consumer Care



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All KNPL products are Heavy Metal Free

Most products are either low VOC or Ultra low VOC

First company to take lead in making products healthier for its users

New Product Pipeline





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Stakeholder Connect – Society Care

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https://www.youtube.com/watch?v=d86WWbrfd9w&t=2s

Social Media Connect

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Stake holder – Vendor Care



RM Supply Risk Mitigation

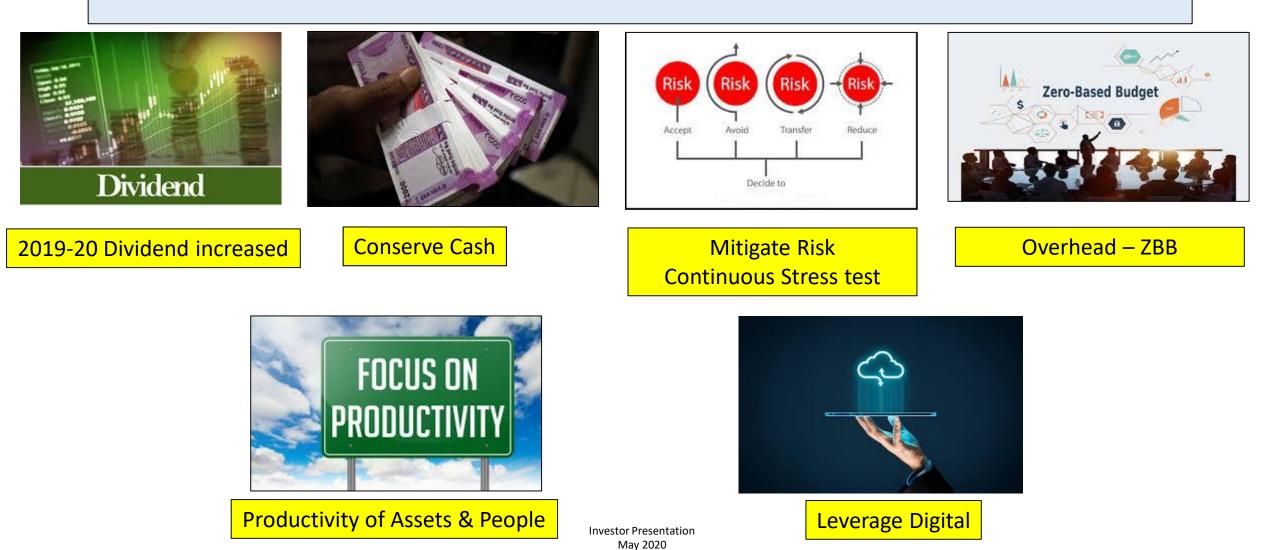
COVID Care Manual



Safe Raw / Packing Material



Stake holder – Shareholder Care





CAPEX

Rs Million	2019-20	2020-21
Projects	1430	1140
Normal	740	600
Total	2170	1740



Operating Model

Focus on Cash Generation

Focus on collections

Optimize Working Capital

Optimize material consumption

Drive productivity & optimize capacity

Sweat assets and Postpone Capex

Safety and Liquidity of investments

Fueling growth

Re-allocate spends to get ROI

Leverage Healthy Home Paints Platform

Re-allocate manpower across portfolios

Reduce non essential spends across





• Thank you

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