



KANSAI NEROLAC PAINTS LIMITED

Investor Presentation Update (FY19-20)

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 19-20*

Financial Performance FY 19-20*

Business Review FY 19-20*

Risks and future outlook

**The details in the presentation are for the period April – Dec 2019*

Business Environment 19-20

- ❑ Demand slow down witnessed across sectors
- ❑ Several Initiatives taken by Government to spark revival have seen limited impact
- ❑ Corporate Tax Rate reduction announced
- ❑ Currency volatility experienced throughout the year
- ❑ Geo-political concerns at a global level

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Financials - Standalone

Q3 and FY19-20 (9 Months)

Rs. Crore

	Q3	Q3	Gr%	9 M	9 M	Gr%
	2018-19	2019-20		2018-19	2019-20	
Revenue from Operations (Net)	1350.7	1248.1	-7.6	4020.5	3955.1	-1.6
PBDIT (without other income)	177.0	191.9	8.4	592.4	653.8	10.4
PBDIT as % of sale	13.1	15.4		14.7	16.5	
PAT	112.7	122.7	8.9	374.5	463.9	23.9
PAT as % of sale	8.3	9.8		9.3	11.7	

Financial Analysis 19-20

Positive Factors

- Increased saliency of Decorative
- Relative stability in Raw Materials prices with a declining trend
- Strong control on overheads through systemic efforts
- Contribution improvement in Decorative and Industrial products
- Improvement in Operating Profit % by 230 basis points in Q3 primarily driven by reduction in material costs
- JV with Polygel for Adhesives

Negative Factors

- Decline in consumer demand across Industrial especially Automotive
- Reduced demand in Decorative in Q3
- Volatile exchange rate

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Consistent Robust delivery

Nerolac Colour trails went across the country



Pragati Express painter training extended to 7 more states



Nerolac launched first 'Rongeen Bongo' shade card for West Bengal



Association with India's first water based sports league



Nerolac wins silver trophy at 8th ACEF Asian Leaders Forum



Market

- Situation in Kashmir, where KNP* is a leader, impacted performance
- Demand in Q2 was affected due to a prolonged monsoon and floods
- This was coupled with an early festive season

Highlights

- Soldier continued to perform well
- Double digit Emulsion volume growth leading to improved product mix
- Launch of new Products
 - Suraksha Range
 - Beauty Little Master
 - Nerolac ICRO wood finish range
 - Nerolac Perma Construction Chemicals range
- Price Decrease in select products amounting to 1.9% for Decorative during the year

Automotive

In line with Auto Sector

Market

- Unprecedented and prolonged slowdown in Auto
- Automotive production dropped by 13.2 % for the first 9 months
- For KNP customer base, this resulted in 17 % reduction in surface area
- All segments viz. PV (-18%), CV (-27%), 2W (-13 %), 3W (-7 %) and Tractors (-17 %) recorded huge drops in production for KNP customers
- Inflation of earlier years not yet compensated

Highlights

- Introduced new technologies for productivity improvement, process improvement and energy saving
- Auto-refinish continued to grow at accelerated pace

*PV-Passenger Vehicles
CV-Commercial vehicles
2W-Two wheelers
3W-Three Wheelers*

Performance Coating

Broad based growth across categories

Market

- Growth continues to be single digit

Highlights

- Focus segments growing in double digits
- Major gains in Coil Coating
- Continued penetration in new segments

Subsidiary Performance

India

- ❑ **Marpol**
 - EBITDA improvement over same period Last Year
 - Expansion in Dealer network
 - Capacity expansion undertaken
 - Synergy benefit on track

- ❑ **Perma**
 - Improved profitability
 - Distribution enhancement
 - Price increases taken
 - New Range launched under Nerolac
 - Synergy benefit on track

- ❑ **Nerofix**
 - JV launched in Adhesives business along with Polygel

Subcontinent

- ❑ **Nepal**
 - Continued higher than Market growth
 - Revamp of Plant started
 - SAP Implemented

- ❑ **Lanka**
 - Sluggish Market initially due to terrorist attack and secondly due to heavy rainfall
 - New distribution introduced
 - Cost Reduction initiatives led to increase in Contribution

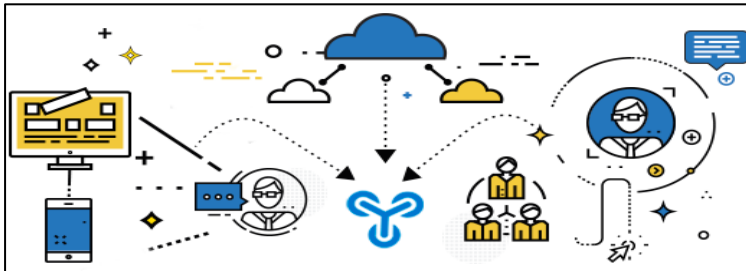
- ❑ **Bangladesh**
 - High Double digit Growth
 - Nerolac Range contributed 30% of Sale
 - Synergy benefit on track

Operations Support

Goindwal Plant Commissioned during Q2



SAP leornado based Intelligent Sales App and Chtbot



CAPACITY INCREASE

- Commissioning of State -of -the -Art Goindwal, Punjab Plant with Phase I capacity of more than 52.8 Million litre annually for Water based Products
- ED Plant at Saykha Commissioned for OEMs in west
- Polyester Resin Capacity increased at Marpol to service internal needs

STRENGTHENING IT

- Intelligent Sales App based on Machine Learning and chatbots rolled out for Decorative Sales team across the Country
- RPA extended to 10 business processes across functions

SERVICE

- Multiple initiatives to improve the back end

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Risks and Outlook

☐ Risks:

- Covid-19 can be a deterrent to growth revival
- Currency Volatility

☐ Outlook:

- Low end products shall continue to drive volume growth
- The Outlook for Automotive Segment continues to be negative

Thank You