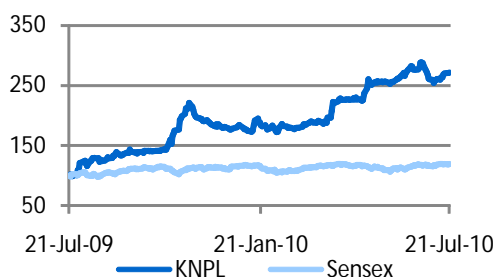


CMP Rs. 796

July 21, 2010

BSE Code	500165
BSE ID	KANSANERO
High/Low 1Y (Rs.)	855/ 285
Avg. vol (3m)	2,908
Market Cap (Rs Cr)	4,288
Net IB Debt (Rs Cr)	(332)
Enterprise value(Rs Cr)	3,955

Shareholding %	Dec-09	Mar-10
Promoters	69.27	69.27
MFs/ Fis/ Banks	5.45	5.43
FII's	4.48	4.56
Public & Others	20.80	20.74

Stock Chart (Relative to Sensex)


Stock Perf.(%)	1M	6M	1Yr
Absolute	(1.9)	47.7	171.7
Rel. to Sensex	(2.5)	42.3	152.3

Financials (Rs.Cr)	03/08	03/09	03/10
Revenue	1,402	1,376	1,707
y-o-y	7.6%	-1.9%	24.1%
EBITDA	188	159	265
y-o-y	4.6%	-15.8%	67.0%
PAT	120	99	166
EPS (Dil.) *	22.2	18.3	30.7
y-o-y	13.6%	-17.6%	67.9%
EBITDA Margin	13.4%	11.5%	15.5%
PAT Margin	8.5%	7.2%	9.7%
D/E(x)	0.21	0.14	0.14
P/E(x) *	35.9x	43.5x	25.9x
EV/EBITDA(x)	21.0x	24.9x	14.9x
ROCE	20.2%	16.2%	25.0%
ROE	20.0%	15.1%	21.4%

Financial Year ends at March 31

Qtry Fin	06/09	09/09	12/09	03/10
Revenue	422	452	425	428
PAT	42	53	36	34
EPS *	7.9	9.8	6.7	6.3

All figures in Rs. crores except for per share data
 * Adjusted for bonus issue of 1:1 issued in June, 10

Kansai Nerolac Paints Limited
Company Overview

Kansai Nerolac Paints Limited (KNPL) is India's second largest paints company and a leader in the Industrial Coating segment. The company is the Indian subsidiary of Japan's Kansai Paint Company Ltd. KNPL with a total capacity of 2 lakhs tonnes p.a., is present in the decorative and the industrial segment. Established as Gahagan Paints and Varnish Co. Ltd. in 1920, it became a public limited company as Goodlass Nerolac Paints in 1968. The company changed its name to the current form in 2006. In recognition of its commitment to quality, technology and innovation, the company received the prestigious Golden Peacock Award 2010 for innovative '3 coat 1' bake in auto painting.

Key Business Highlights
Growth potential in decorative segment

KNPL is one of the leading players in the decorative segment with 13 per cent market share. Factors like low per capita consumption of decorative paints, improving disposable income, growing nuclear family culture, and increasing urbanization are driving demand for residential housing; at the same time strong growth in IT&ITES and organized retail sectors are driving demand for commercial construction.

Leader in automotive paints and powder coatings

KNPL is the leader in industrial segment with a 42 per cent market share. Robust demand from the automobile and white goods sectors where KNPL enjoys significant presence will drive the sales for industrial paints.

Capacity expansion will help in supplementing demand

KNPL is increasing its paint manufacturing capacity by 40 per cent from the present 2 lakhs tonne to 2.8 lakhs tonne. This capacity expansion will help meet the growing demand of the Indian customer and enable the company to defend its market position.

Favourable sales mix to increase profitability

KNPL has been able to alter its sales mix towards decorative paints by aggressive marketing and innovation. Since decorative paints offer better pricing power than industrial paints such a change will improve margins.

Technology Intensive nature of industrial paints

Industrial paints are technology intensive in nature. KNPL being the market leader in this segment is provided technical assistance by its parent. KNPL also has Technical Assistance Agreements with other industry leaders.

Key Risks

- Economic slowdown directly impacts the demand for paints.
- The main raw materials are crude based derivatives, hence any rise in crude prices impacts raw material prices and the cost of goods manufactured.
- The paint industry is competitive, with many innovative foreign players looking for opportunities.

Valuations

The stock is currently trading at a P/E multiple of 25.9x on its FY10 EPS of Rs. 30.7 and 14.9x EV/EBITDA multiple based on FY10 EBITDA of Rs. 265 crores.