

May 7, 2020

1. Corporate Relationship Department
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400001.
2. Manager – Listing
National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (E),
Mumbai - 400 051.

Sub.: Q4 FY 20 and FY20 Financial Results Conference Call – Investor Presentation

- Ref.: 1. Regulation 30(6) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015**
2. Scrip Codes : BSE - 500165, NSE - KANSAINER

Dear Sirs,

Further to the intimation done by the Company on May 5, 2020, with respect to the Conference Call to be hosted by the Management of our Company on Friday, May 8, 2020 at 16.00 hrs (IST) to discuss Q4 FY 20 and FY20 Financial Results of the Company, we are enclosing herewith an Investor Presentation.

For **KANSAL NEROLAC PAINTS LIMITED**

G. T. GOVINDARAJAN
COMPANY SECRETARY

Head Office :
NEROLAC HOUSE
Ganpatrao Kadam Marg,
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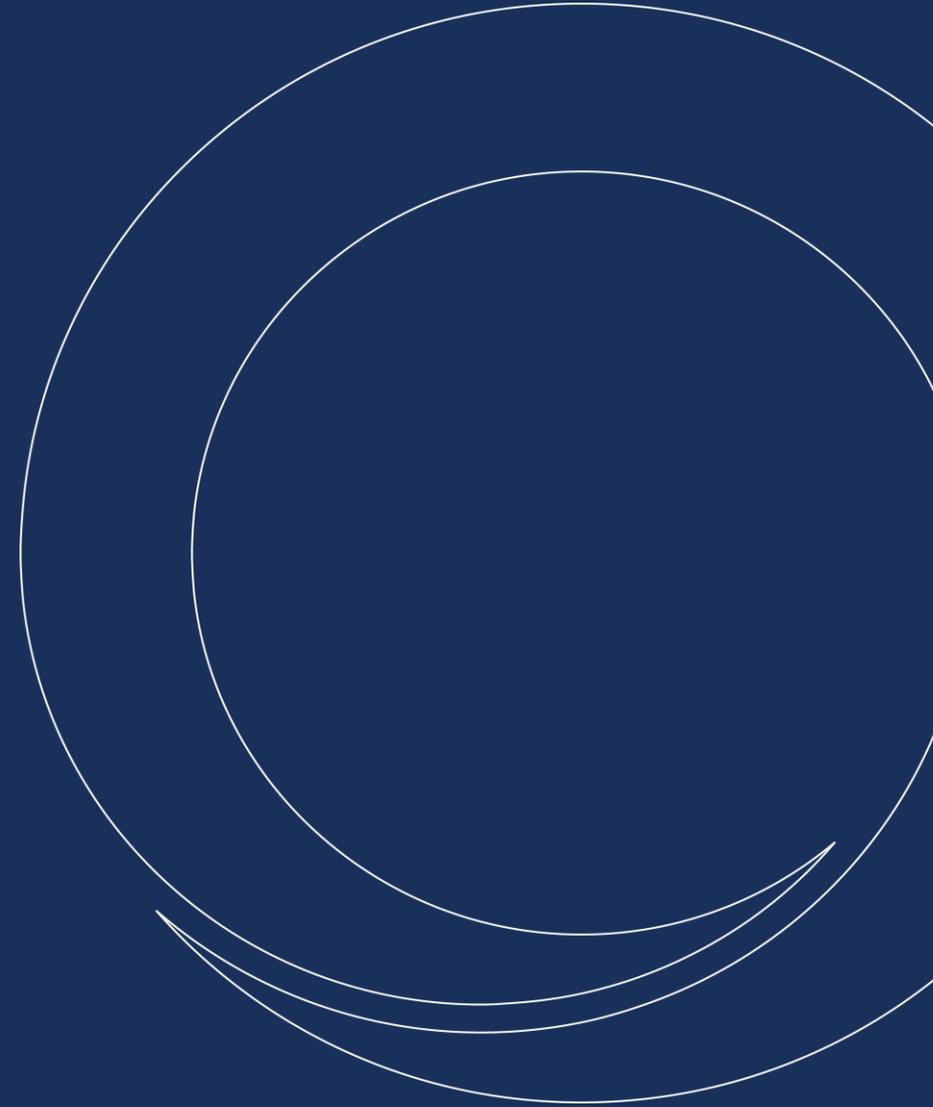
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- **Investor Presentation
(Update 19-20)**



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**



Recap of Business Environment 2019-20



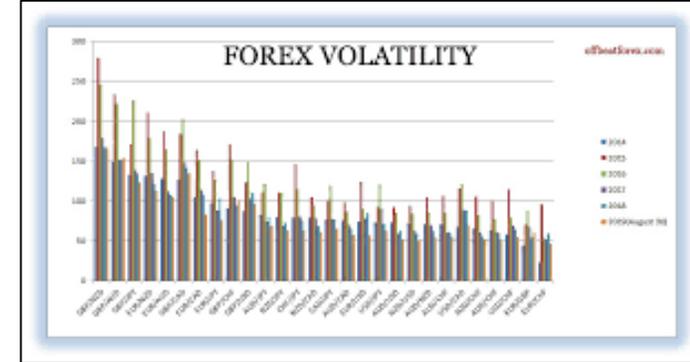
Demand slowdown



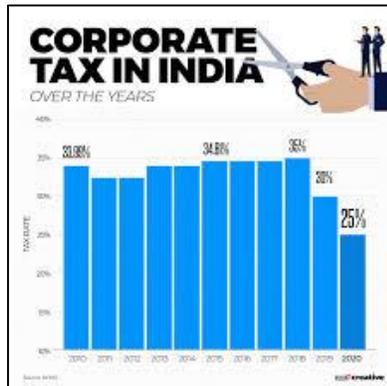
Liquidity crunch



Geo political uncertainty



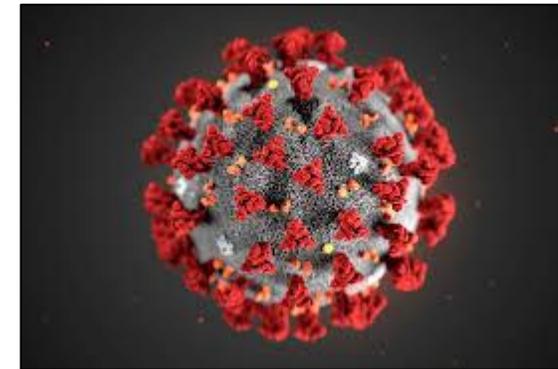
Currency volatility



Corporate Rate Cut



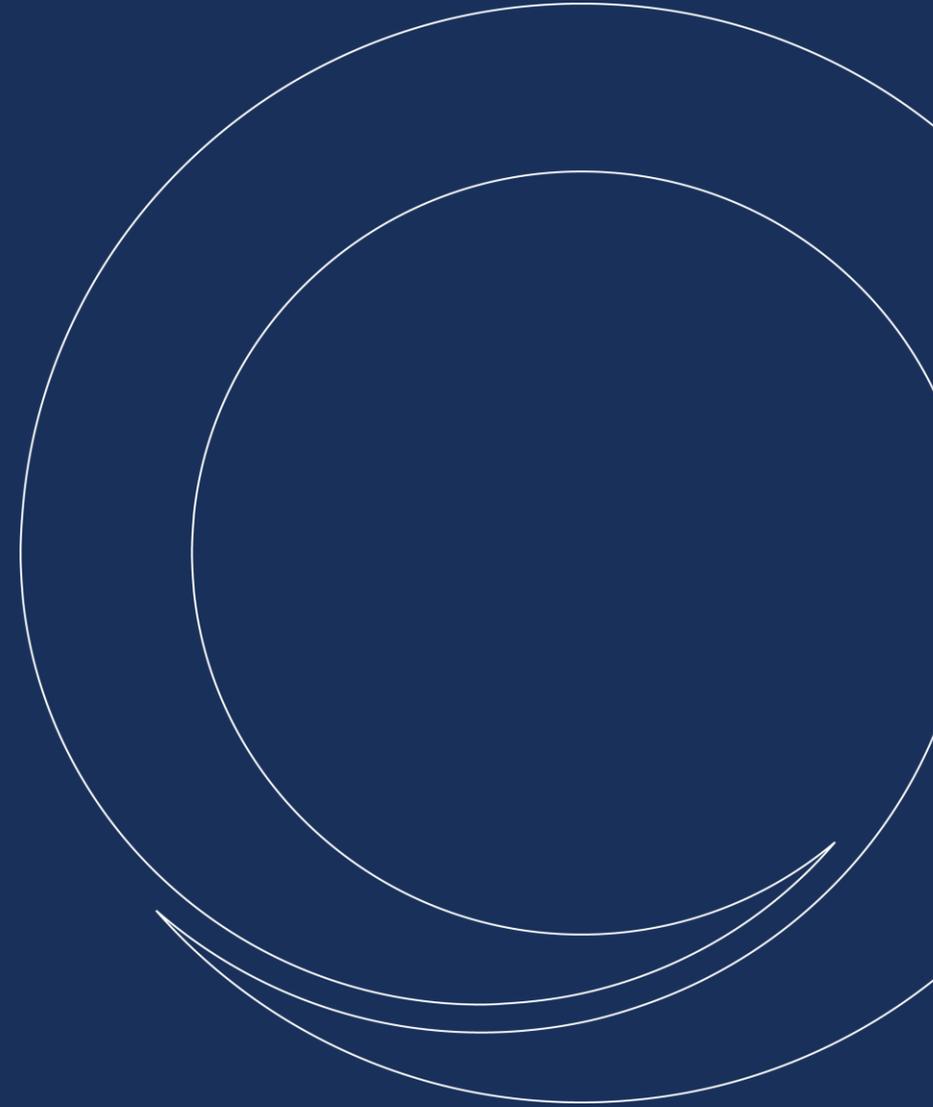
Limited impact of Initiatives



COVID 19 and Lock-down

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

Financials – Standalone

Q4 and FY 19-20

Rs. Millions	Q4					12M				
	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

Rs. Millions	Q4					12M				
	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 2018-2019		FY 2019-2020	
	Value	NOD	Value	NOD
WORKING CAPITAL				
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

Cash Position

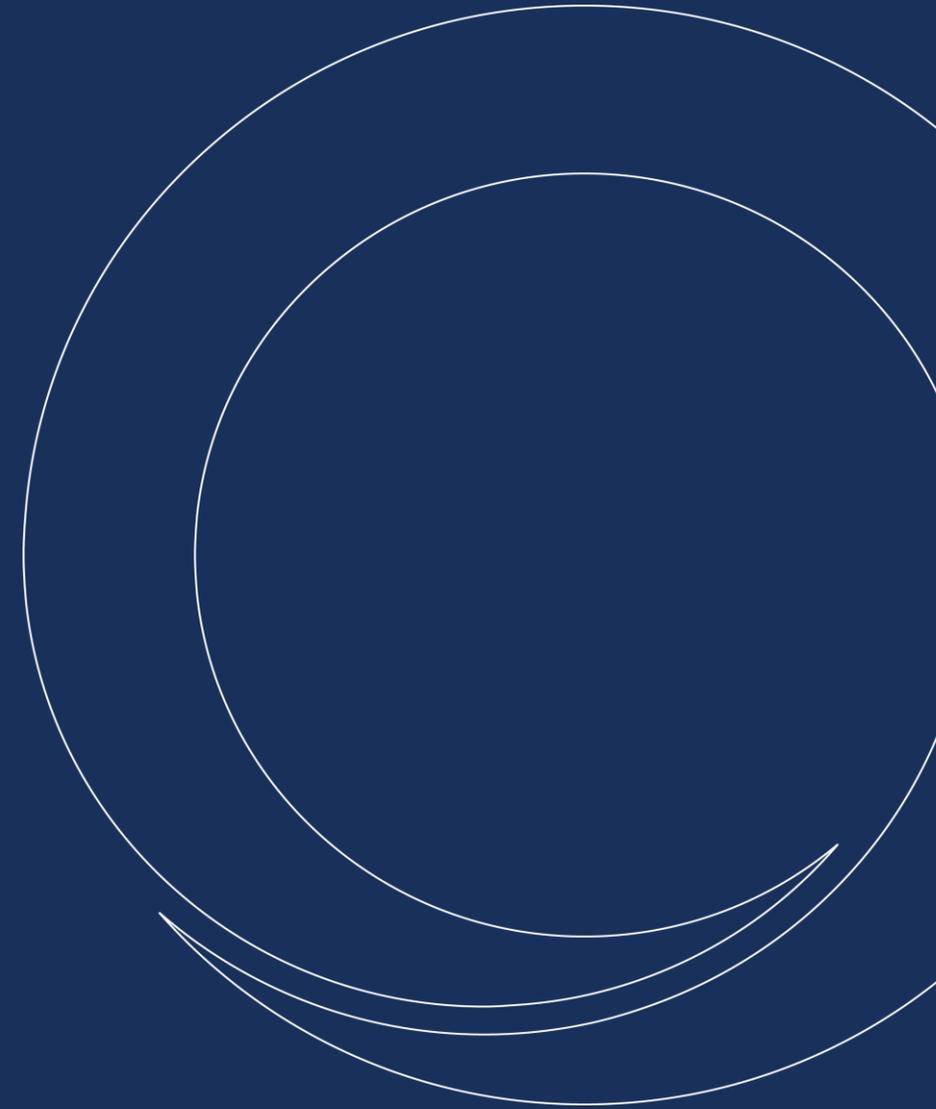
Element (Rs Million)	31st Mar 2019	31st Mar 2020
Cash	813	380
Bank Fixed Deposit	0	1250
Treasury Investment	1960	3050
Total	2773	4690

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 %

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NEXGEN



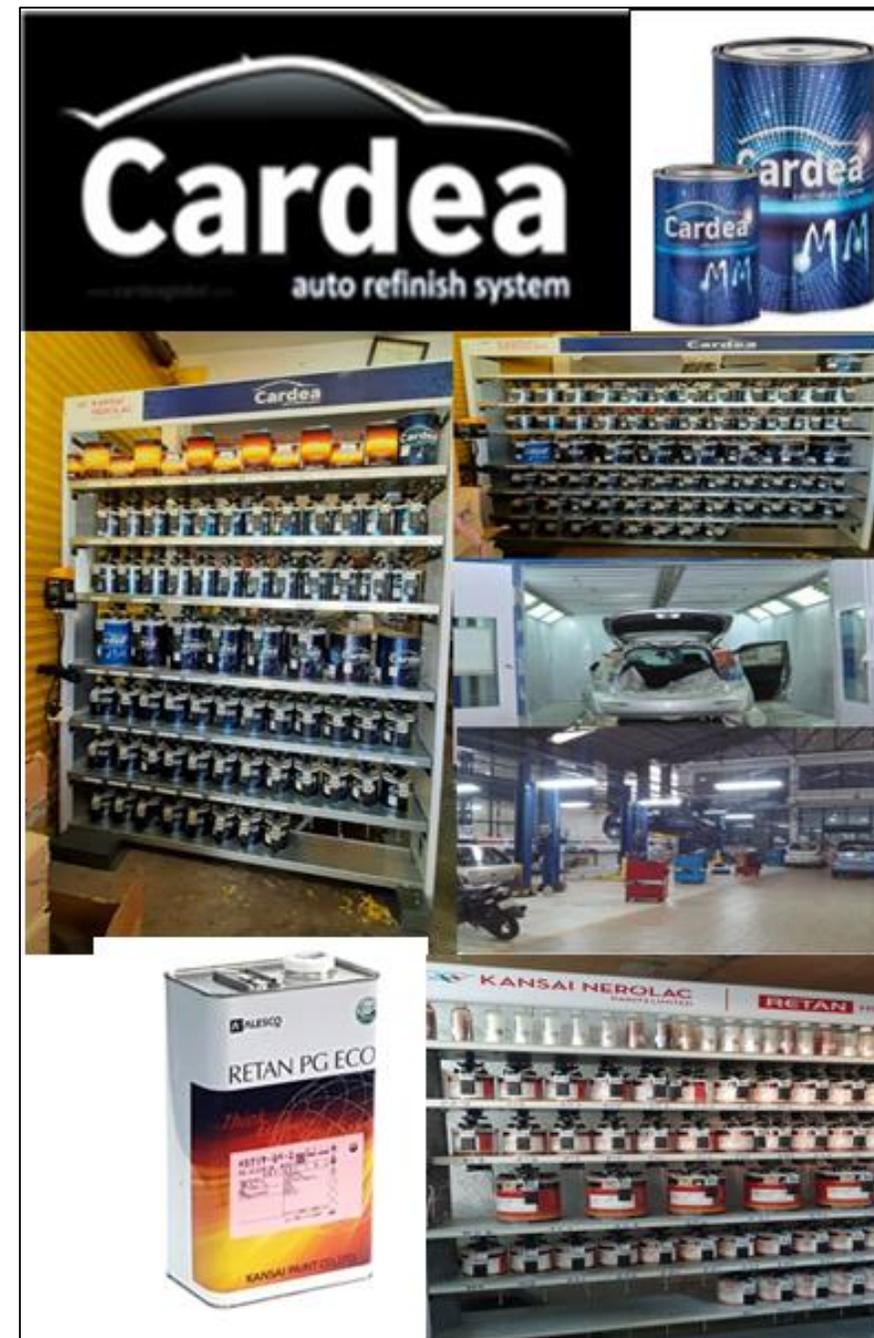
Automotive

- 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



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
 - 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 - Domestic

- **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

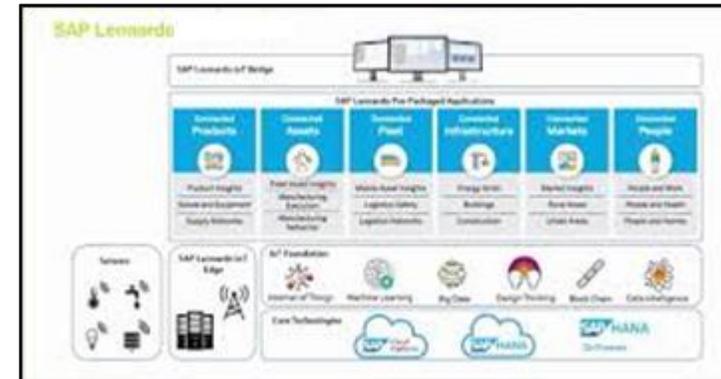
Capacity

- 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



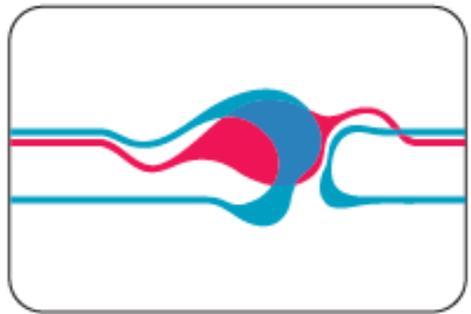
Strategic Initiatives

- **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



Transforming key assets

NEROLAC



NEROLAC



New Corporate Identity

PURPOSE

Create Environments for a healthy
and beautiful future

EXPRESSION
Colors that care

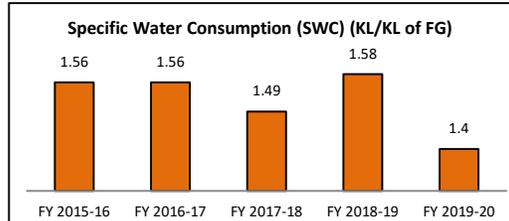
PROMISE
Renew Life

Water Management

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



Our recycled water consumption increased from **10% to 22%** since **2015-16**

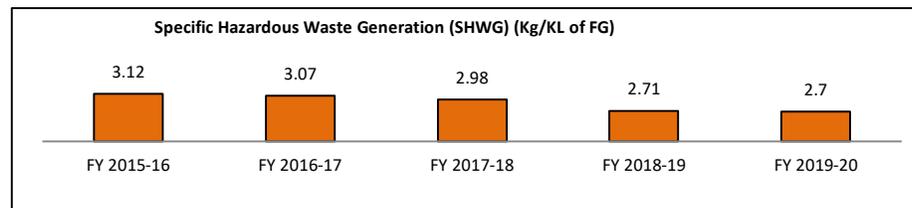


Waste Management : Haz. Waste reduction

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



Bio-composting



Carbon Footprint

Move towards **Carbon Neutrality**



Sola Tubes

Solar Lamps

Solar Panels

Solar Battery Chargers

Energy Management:

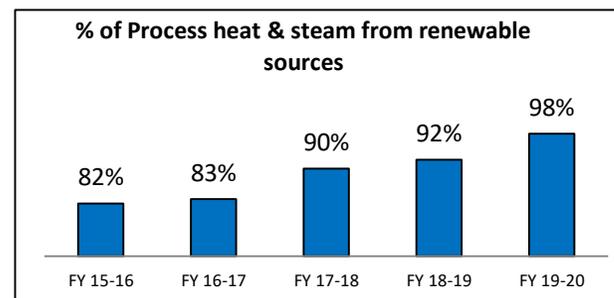
- Shifted from **HSD to environment friendly and low cost Solid Fuels and Biodiesel** in boilers and for process heat generation.
- **Captive wind turbine** at Lote. **Renewable Energy now at 23 % from 17% LY**
- By FY 2021-22, we aim to source **41%** of our **total energy consumption through renewable energy sources in Mfg.**
- Additional **Solar Power** capacity of **900 KW** installed at Sayakha.



Roof Top Solar Panels



Solid Fuel Boiler



Health and Safety

Plants certified with **ISO 45001** by an **International Certification Agency**

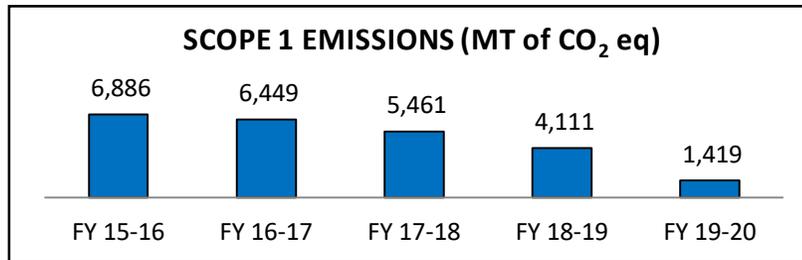


Emission Management

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

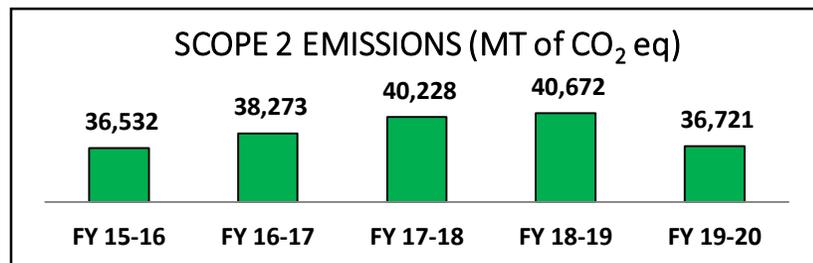
Decrease in Scope 1 emissions is due to the transition from HSD to environment friendly cleaner fuels in our process



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

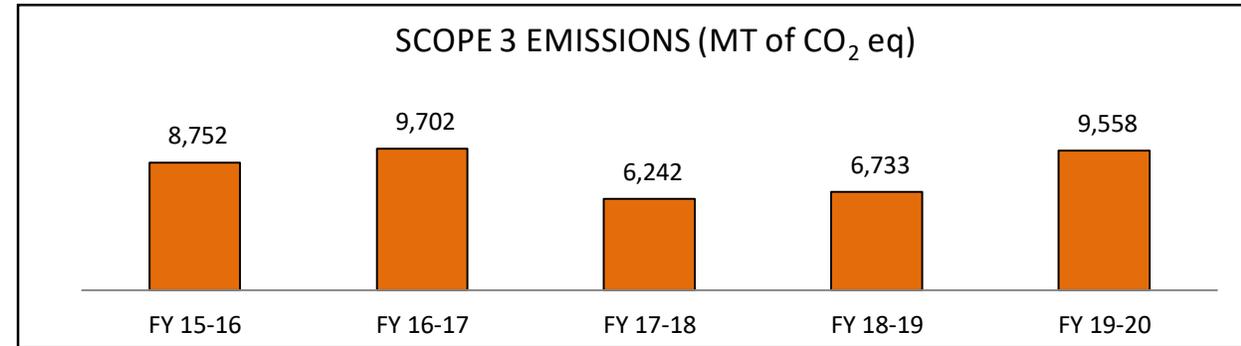
However, Scope 2 emission Intensity decreased by **12 %** from **0.140** MT of CO₂ eq/KL of FG to **0.123** MT of CO₂ eq/KL of FG

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

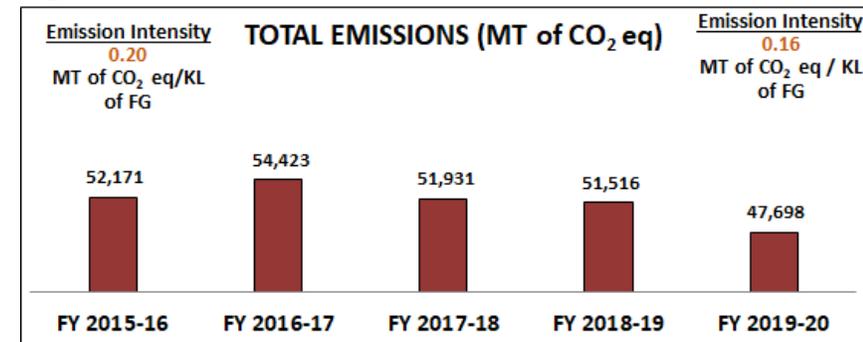


In FY 2019-20, **Scope 3** emissions increased by **9%** as compared to FY 2015-16
But, Scope 3 emission Intensity decreased from **0.034** MT of CO₂ eq/KL of FG to **0.032** MT of CO₂ eq/KL of FG

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 CO₂ eq/KL of FG to **0.16** MT of CO₂ eq/KL of FG



Sustainability disclosures complies to GRI 4.0 guidelines in totality

Society



Rural development/Community development (Project Annapurna)



Promoting Education (Near Plants)



Preventive Health Care & Sanitation (Near Plants)



Ensuring Environmental Sustainability (Rain Water Harvesting)

Governance

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

Governance

Online Compliance Tracking
through Legatrix Software

Compliance

System enabled
Enterprise Risk Management

Risk

Agenda

- **Strategy**



Strategy

New Segments: Adhesives, Construction Chemicals, Coil Coatings, Rebar, Pipe Coatings and Specialty Coatings

EXPAND HORIZONS

Decorative, Automotive, PCD, ARF

CORE

Strengthen the Core while Expanding Horizons

Technology

Service

Innovative Products

Specialized Teams

Brand

New Geographies: Nepal, Bangladesh and Sri Lanka

EXPAND HORIZONS

IT, Digital, People, Internal Efficiency program

ORGANIZATION CAPABILITY

Governance, Risk Management, Compliance, Sustainability

LONG TERM
SUSTAINABLE VALUE

ADOPT AND EMBED DIGITAL

CREATE DIGITAL ASSETS

VISION

INCORPORATE DATA & INFO WITHIN & OUTSIDE

AUTOMATION & CONTROL

VISION

AUTOMATE FOR AVAILABILITY & RELIABILITY

INTELLIGENCE LAYER

VISION

OUTSIDE IN PERSPECTIVE, PREDICTIVE, VISUAL

SMART ENTERPRISE

VISION

DEPLOY AI, ML BASED TOOLS

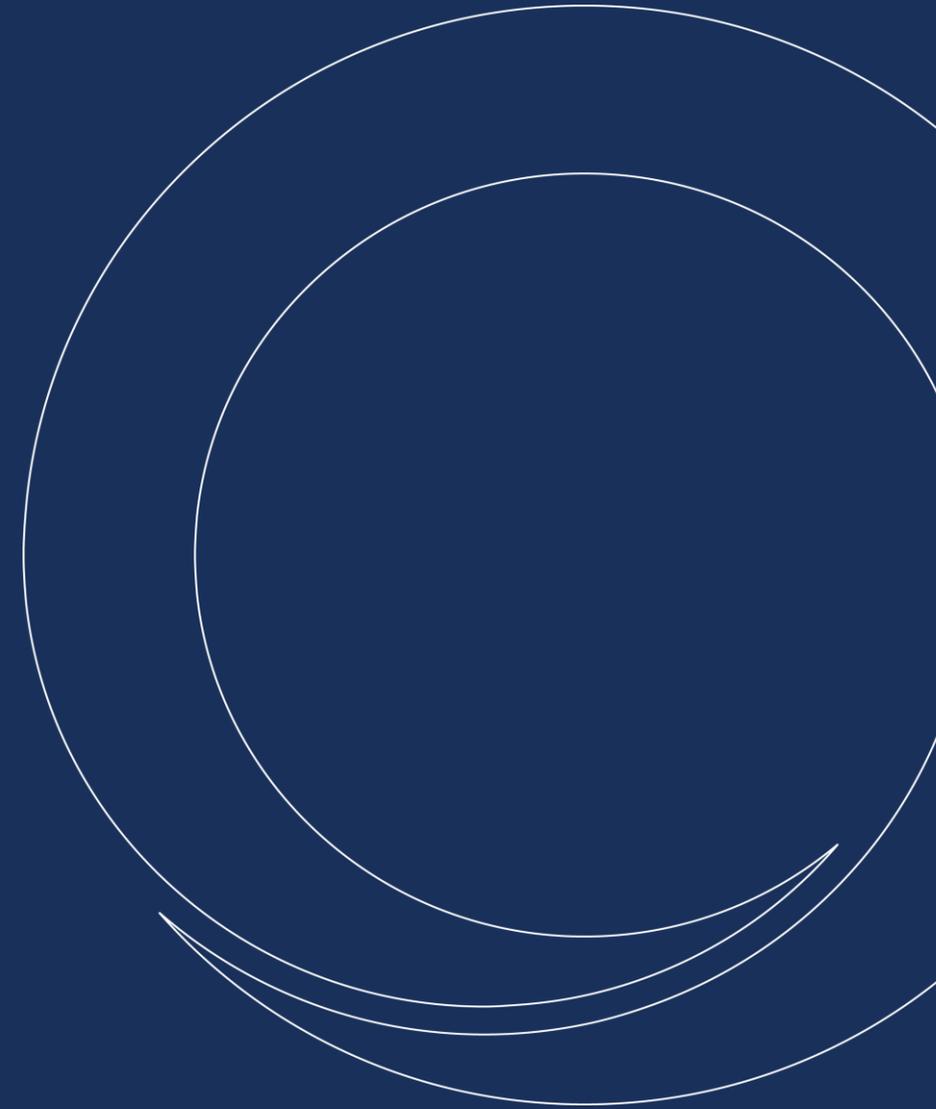
EXPERIENCE LAYER

VISION

DIGITALIZE LIFECYCLE OF STAKEHOLDERS

Agenda

- **COVID Risks and Organisation Response**



Fall out of Lock down (COVID 19)

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

STAGE 1

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

Microsoft Teams	Covid Help Desk	Health & Wellness App
<ul style="list-style-type: none"> • Collaboration Tool • 100 % employees connected • Remote working, Team meetings, Review tasks and achieve outcomes 	<ul style="list-style-type: none"> • Corporate Communication's Desk, Helpful Tips, FAQ's, Links on Advisories, Emergency Contact • Team formed, Make a Request for help 	<ul style="list-style-type: none"> • A health care platform • Personal Health Data, Knowledge Series, Fitness activity tracker, Deals and Discounts, Chat with Doctor
		

- Security Protocols in place
- BCP for its Call Center

STAGE 2

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

STAGE 3

Stakeholder connect – Employees Care

Employees paid full Salary for Mar & Apr

No Salary Cut

Employee Care



Minimum Insurance cover Rs 1.5 M for Sales Staff and Operators



Skill & Competency Training during WFH

Skill Upgradation



15 % Staff



Travel by bike



Virtual Meetings



AROGYA SETU & Thermal Scan



Social distancing @ work

New Way of Working

Stakeholder Connect – Channel Partner Care



25K dealers connected along with family

Dealer concern: How do I remain safe ?

- Keep mask on all the time
- Keep two sets of cloths separate for outdoor usage
- Gloves are more important than mask
- Wear cotton, avoid silk/polyester
- Keep washing your hands after touching any surface
- Wash your hands often with soap and water for at least 20 seconds
- Avoid crowded places
- AVOID CROWDED PLACES
- Avoid handshakes

Dealer Care

Dealer concern: How do I effectively manage my shop?

- Pay what's the minimum requirement
- Introduce variable pay basis the material sold
- List out all expenses
- Take COVID 19 insurance cover to avoid unwanted surprises
- Re-align the shop timings
- Categorize in essential and non-essential
- Save electricity by identifying non-engaging business hours
- Turn off power for at least 2 hours in a day
- Heat is good to reduce the impact of virus

Safe Environment

Dealer Concern: How do I carry out safe dealings ?

- Provide estimates / bills digitally
- Move to all formats of digital payments
- Shop boy to manage customers
- Sanitize before keeping in godown
- Drop box for tokens, open after 48 hours of facilitation
- Sanitize before handing over to customer

Safe Dealing

Dealer Concern: How will we manage finance?

- Easy Access
- Extended credit period of upto 30 days
- Minimum Documentation

Identified partners: ICICI Bank, AXIS BANK, State Bank of India, URBAN COOP BANK

Contact N/PL representative for further details

Managing Finances

Dealer Concern: Need to educate the painters

- Inform about disbursement to build confidence
- Cash benefits for immediate needs through secondary
- Special support for COVID 19 cases
- Finance for business needs
- Encourage use of safety kits

Educate Painters

TRAINING

Stake holder Connect – OEM Care

Safe Shut-down & Safe Start up



Responsive Supply Chain



Multi – Plant support



State of the Art R&D

Stakeholder Connect – Product Care



Stop thumb scanning



Sanitize all inward and outward material



Sanitizer at all touch points



Safe RM Storage



Safe Operations



Warehouse and Truck Sanitization



Stakeholder Connect – Painter Care

KANSAI PAINT **NEROLAC**

Do's and don'ts for painters



Sanitize the material again before usage



Wear mask all the time



Note your temperature every day



Wear gloves before touching any surface

24.4.2020
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Do's and Don'ts

KANSAI PAINT **NEROLAC**

Painter's pitch to consumers

I Take temperature every day before leaving for work



I wear all safety gear.



I use Nerolac products which is produced under most hygienic conditions



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Painter's Pitch

Stakeholder Connect – Consumer Care

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



Stakeholder Connect – Society Care



Rs 40 M donated to **PM CARES** fund



Crowd sourcing initiative for painter



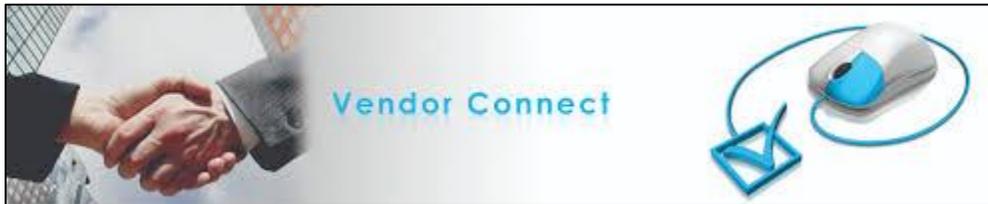
Rs 27 M disbursed to Painters



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

Social Media Connect

Stake holder – Vendor Care



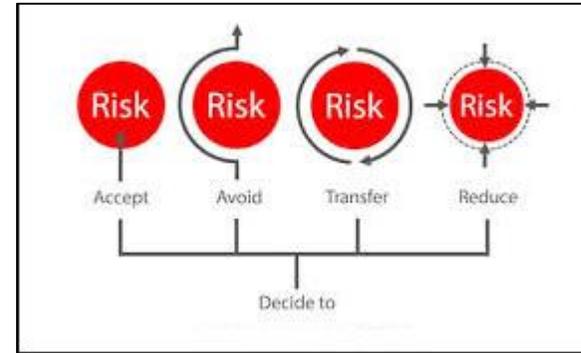
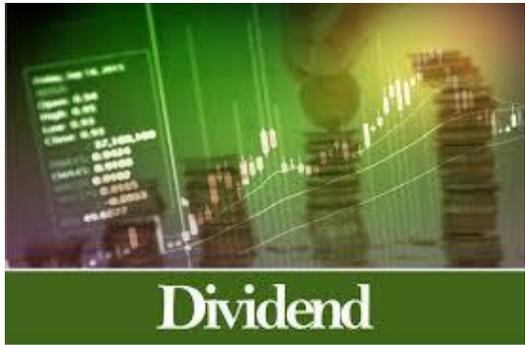
RM Supply Risk Mitigation

COVID Care Manual



Safe Raw / Packing Material

Stake holder – Shareholder Care



2019-20 Dividend increased

Conserve Cash

Mitigate Risk
Continuous Stress test

Overhead – ZBB



Productivity of Assets & People



Leverage Digital

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**