

## Week Gone

- ⇒ In the week ended on Friday, 4 June 2021, the Sensex rose 677.17 points or 1.32% to settle at 52,100.05. The Nifty 50 index gained 234.60 or 1.52% to settle at 15,670.25.
- ⇒ The BSE Mid-Cap index advanced 849.66 or 3.92% to settle at 22,511.49. The BSE Small-Cap index rallied 783.21 points or 3.34% to settle at 24,261.90.
- ⇒ A total of 1,32,364 new infections were registered in a day, while the death count increased to 3,40,702 with 2,713 daily new fatalities, according to the data updated at 8 AM on Friday. The recovery rate stood at 93.08%.

## Week Ahead

- ⇒ China will announce inflation rate for May on 9 June 2021.
- ⇒ US will announce inflation rate for May on 10 June 2021.

## Technical Overview

Index closed with a gain of 1.52% at 15670. Index opened this week on a flat note and witnessed steady upmove throughout the week to close at all time high levels. Index has witnessed breakout from the Falling channel and have surpassed its previous swing high which is bullish signal for short term. Going ahead till manages to hold the is previous swing high, index likely to scale higher to test 15750-15830-15950. While on the downside support comes at 15550-15480-15375.



Source: Falcon, BP Equities Research



## Weekly Wealth

## DOMESTIC INDICES

Index	04-June-21	28-May-21	Weekly % Chg
Nifty	15,670.3	15435.7	1.5
Nifty Next 50	38,914.5	37394.5	4.1
Nifty 100	15,945.9	15650.4	1.9
Nifty 500	13,393.9	13117.1	2.1
Nifty Midcap 100	26,551.6	25695.1	3.3
Sensex	52,100.1	51422.9	1.3
BSE 100 Index	15,952.6	15677.1	1.8
BSE 200 Index	6,807.4	6668.3	2.1
BSE 500 Index	21,326.1	20879.1	2.1
BSE Mid-Cap	22,511.5	21661.8	3.9
BSE Small Cap	24,261.9	23478.7	3.3

## NIFTY TOP GAINERS (WEEKLY)

Scrip	04-June-21	28-May-21	Weekly % Chg
ONGC	125.5	112.4	11.7
Adani Ports & Speci	833.9	776.2	7.4
Bajaj Finance L	5993.5	5610.8	6.8
Titan Company	1679.5	1577.0	6.5
Tata Motors Ltd.	335.0	318.8	5.1

## NIFTY TOP LOSERS (WEEKLY)

Scrip	04-June-21	28-May-21	Weekly % Chg
Mahi. & Mahi	804.6	845.9	-4.9
ITC Ltd.	208.75	212.9	-2.0
Infosys	1,385.65	1405.1	-1.4
IndusInd Bank	1,009.30	1019.4	-1.0
Tech Mahindra	1,019.20	1026.3	-0.7

## WORLD INDICES

Index	04-June-21	28-May-21	Weekly % Chg
Nikkei Index	28,941.5	29,149.4	-0.7
Hang Seng Index	28,908.0	29,135.4	-0.8
Kospi Index	3,240.1	3,188.7	1.6
Shanghai SE Composite	3,591.8	3,600.8	-0.2
Strait Times Index	3,151.0	3,178.6	-0.9
Dow Jones	34,686.3	34,621.7	0.2
NASDAQ	13,776.9	13,782.0	0.0
FTSE	7,057.1	7,038.3	0.3

## FOREX

Currency	04-June-21	28-May-21	Weekly % Chg
US\$ (Rs.)	73.0	72.6	0.6
GBP (Rs.)	103.0	102.9	0.1
Euro (Rs.)	88.5	88.5	0.0
Yen (Rs.) 100 Units	66.2	66.1	0.1

## FII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
04-Jun-21	7,683.6	6,184.2	1,499.4
03-Jun-21	7,323.5	6,244.3	1,079.2
02-Jun-21	11,510.8	10,589.7	921.1
01-Jun-21	4,507.9	4,957.8	-449.9
31-May-21	7,456.5	5,044.1	2,412.4
<b>MTD</b>	<b>31,025.8</b>	<b>27,976.0</b>	<b>3,049.8</b>

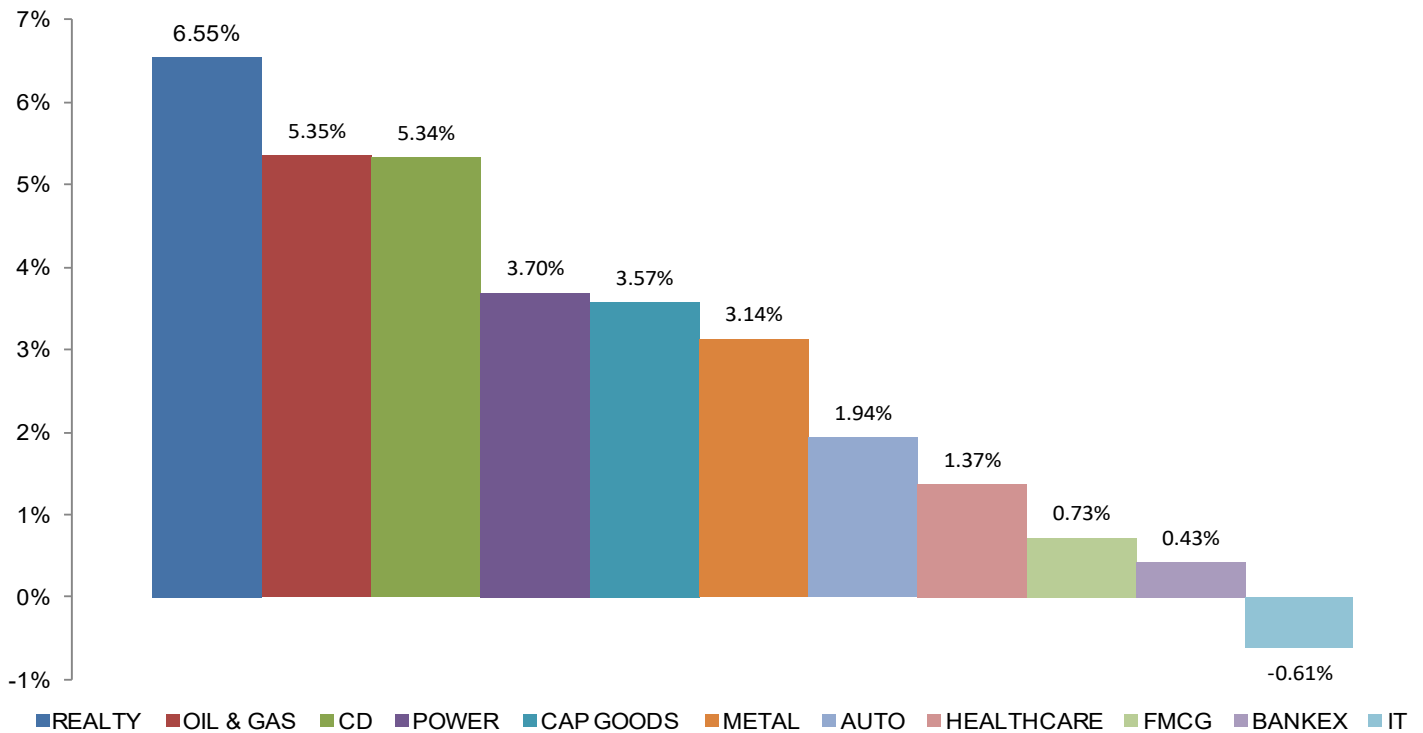
## DII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
04-Jun-21	3,883.3	5,058.3	-1,175.0
03-Jun-21	4,726.0	5,005.0	-279.0
02-Jun-21	4,657.4	4,415.6	241.8
01-Jun-21	4,364.0	4,133.5	230.5
31-May-21	6,440.9	5,165.7	1,275.2
<b>MTD</b>	<b>17,630.7</b>	<b>18,612.4</b>	<b>-981.7</b>

# Weekly Wealth

## BSE WEEKLY SECTORAL PERFORMANCE



Source: BSE, BP Equities Research

## TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	28-May-21	04-June-21	Weekly % Chg	28-May-21	04-June-21	Weekly % Chg
	Share Price (Rs.)			Open Interest		
NAM-INDIA	345.85	366.9	6.1	1299200	2393600	84.2
IBULHSGFIN	224.5	262.9	17.1	23752200	37494500	57.9
ONGC	112.95	126	11.6	46962300	68791800	46.5
LICHSGFIN	458.65	533	16.2	6098000	8858000	45.3
BHARATFORG	681.6	754.6	10.7	6940500	10063500	45.0

## TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	28-May-21	04-June-21	Weekly % Chg	28-May-21	04-June-21	Weekly % Chg
	Share Price (Rs.)			Open Interest		
MARICO	473.6	489.35	3.3	7884000	5554000	-29.6
EICHERMOT	2651.1	2750.45	3.7	2558850	2051350	-19.8
BANDHANBNK	304.35	316.1	3.9	21565800	17299800	-19.8
ADANIENT	1308.2	1705.25	30.4	19514000	16073000	-17.6
CHOLAFIN	546.35	573.6	5.0	10263750	8518750	-17.0

## Paints

### Company Background

Kansai Nerolac Paints Limited (KNPL) is the second largest paint company in India and is the leader in the industrial segment. It has collaborated with two companies Kansai Paint Co. and Oshima Kogyo Co. of Japan. The company has five strategically located manufacturing units all over India and a strong dealer network across the country. The company manufactures a diversified range of products ranging from decorative paints coatings for homes, offices, hospitals and hotels to sophisticated industrial coatings for most of the industries. The company is headquartered in Mumbai, with manufacturing facilities established in Uttar Pradesh, Tamil Nadu, Maharashtra and Haryana. The group has presence across product ranges and focuses on premium and innovative brands such as Nerolac Impressions, metallic finish, Beauty Gold, Suraksha Plus, Excel Top Guard and water-based enamels that support sales growth. Company's R&D facility focuses on improving its manufacturing processes and innovating its products. This facility has officially been recognized by the Department of Science and Technology (DTI), Government of India.

### Investment Rationale

#### Dominant position in the domestic industrial paint segment

The group's strong position in the domestic industrial paint industry is supported through its technological tie-ups, numerous product portfolios, and strong relationships with major OEMs across passenger cars, utility vehicles, and two-wheelers. Furthermore, technological support from the parent enables it to introduce high-end products, and translate into performance in the form of application as well as power consumption. All these factors enable the group to sustain its dominant market share in the automotive paint segment.

#### Focus on new launches in non-automotive segment

The company has steered for market share gains in both its decorative and industrial paint category by new launches in the non-automotive segments like construction chemical business. The Indian construction chemical business is marked at 7000 crore (KNPL entered it in FY20). The company will leverage its existing dealer networks (of ~27500) to push new products in FY21-23E thereby aiming to gain market share. The construction chemical business commands a similar margin to that of decorative paints. Further, to reduce dependency on the automotive industry, KNPL has also increased its focus on segments such as coil, rebar, floor, pipe coatings and other specialty coatings in Industrial business.

### Valuation and Outlook

The demand for paints across India is at a multi-year high, some of which can be attributed to pent-up demand as the result of lockdown impositions. KNPL is expected to be a major beneficiary of cyclical recovery and pick-up in industrial demand since it is the market leader in automotive paints (with 60% market share) and enjoys 40% market share in industrial paints. While all-round demand recovery is heartening, raw material inflation could weigh on profitability. However, it is observed that the companies have taken price hikes across segments. On the industrial paints front, KNPL has raised prices for a few clients and it is already engaging with auto customers for negotiation. Price hikes, along with cost rationalization, will stabilize the gross margins and better operating leverage on account of higher utilizations will enhance the operating margins, going ahead. On the valuation front, we valued the company based on 42x of FY23E earnings and recommend a BUY rating on this stock with a price target of INR 708 (22% upside from CMP) with a 12 months investment horizon.

### Stock Rating

BUY	HOLD	SELL
BUY		

### Sector Outlook

Positive

### Stock

CMP (INR)	581
Target Price (INR)	708
NSE Symbol	KANSAINER
BSE Code	500165
Bloomberg	KNPL IN
Reuters	KANE.BO

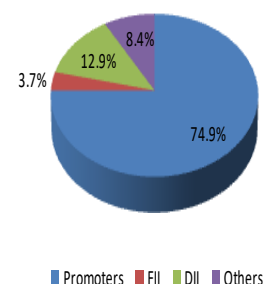
### Key Data

Nifty	15,670
52WeekH/L(INR)	680/372
O/s Shares (Mn)	538.92
Market Cap (INR bn)	312
Face Value (INR)	1

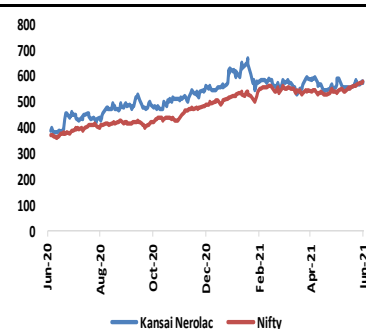
### Average volume

3 months	2,74,650
6 months	3,45,610
1 year	3,08,480

### Share Holding Pattern (%)



### Relative Price Chart



# Weekly Wealth

## Key Financials

YE March (INR Mn)	FY19	FY20	FY21	FY22E	FY23E
<b>Revenue</b>	<b>54,243</b>	<b>52,800</b>	<b>50,743</b>	<b>64,798</b>	<b>76,332</b>
<i>Revenue Growth (Y-o-Y)</i>	16.4%	(2.7%)	(3.9%)	27.7%	17.8%
<b>EBIDTA</b>	<b>7,525</b>	<b>8,045</b>	<b>8,633</b>	<b>10,756</b>	<b>12,824</b>
<i>EBIDTA Growth (Y-o-Y)</i>	(5.2%)	6.9%	7.3%	24.6%	19.2%
<b>Net Profit</b>	<b>4,528</b>	<b>5,210</b>	<b>5,297</b>	<b>7,517</b>	<b>9,084</b>
<i>Net Profit Growth (Y-o-Y)</i>	(12.0%)	15.1%	1.7%	41.9%	20.8%
<b>Diluted EPS</b>	<b>8.4</b>	<b>9.7</b>	<b>9.8</b>	<b>13.9</b>	<b>16.9</b>
<i>Diluted EPS Growth (Y-o-Y)</i>	(12.0%)	15.1%	1.7%	41.9%	20.8%

## Key Ratios

<b>EBIDTA margin (%)</b>	<b>13.9%</b>	<b>15.2%</b>	<b>17.0%</b>	<b>16.6%</b>	<b>16.8%</b>
NPM (%)	8.3%	9.9%	10.4%	11.6%	11.9%
<b>RoE (%)</b>	<b>13.2%</b>	<b>13.8%</b>	<b>13.0%</b>	<b>16.5%</b>	<b>17.6%</b>
RoCE (%)	21.9%	21.2%	21.2%	23.6%	24.8%

## Valuation Ratios

<b>P/E (x)</b>	<b>69.0x</b>	<b>60.0x</b>	<b>59.0x</b>	<b>41.6x</b>	<b>34.4x</b>
EV/EBITDA	41.4x	38.7x	36.1x	29.0x	24.3x
<b>P/BV (x)</b>	<b>9.1x</b>	<b>8.3x</b>	<b>7.7x</b>	<b>6.9x</b>	<b>6.0x</b>
Market Cap. / Sales (x)	5.8x	5.9x	6.2x	4.8x	4.1x

Source: Company, BP Equities Research



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Disclaimer Appendix

**Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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