

Nilkamal Ltd

Performance Update

	4QFY18	4QFY17	% chg. (yoy)	3QFY18	% chg. (qoq)
Net Sales	596	532	12.1	394	51.4
Operating profit	65	58	11.7	50	29.7
OPM (%)	11.0	11.0	(4bp)	12.8	(184bp)
Adj. PAT	34	32	5.0	22.4	50.8

Source: Company, Angel Research

For 4QFY2018, Nilkamal Ltd (NIL) posted results in-line with our expectations on top-line front although, it is slightly down on the bottom line front as standalone revenues grew by ~12% y-o-y. However, operating margin remained flat y-o-y on account of increase in other expenses. On the bottom-line front, NIL reported lower growth of ~5% y-o-y to ₹34cr on the back of higher taxes.

Top-line driven by healthy volume growth: The Company's top-line grew by ~12% y-o-y to ₹596cr on the back of healthy growth in plastic business which registered volume growth 9% and price hike.

Higher taxes drag the overall profitability: On the operating front, the company margin was slightly down mainly on account of increase in employee and other expenses. The company reported a Profit before tax of ~`53cr v/s ~`46cr, a growth of 14% yoy; however, profit after tax increased only marginally from ~`32cr to ~`34cr yoy, due to increase in taxes.

Outlook and Valuation: We forecast Nilkamal Ltd. to report top-line CAGR of ~11% to ₹2,635cr over FY18-20E on the back of healthy demand growth in plastic division. On the bottom-line front, we estimate ~14% CAGR to ₹162cr owing to improvement in volumes. **We maintain a Buy recommendation with a target price of ₹2,165.**

Key Financials

Y/E March (₹cr)	FY2017	FY2018	FY2019E	FY2020E
Net Sales	2,024	2,124	2,333	2,635
% chg	5.1	4.9	9.9	12.9
Net Profit	123	123	140	162
% chg	7.4	0.8	13.4	15.4
OPM (%)	11.4	11.3	11.3	11.2
EPS (Rs)	82.1	82.8	93.8	108.3
P/E (x)	20.5	20.3	17.9	15.6
P/BV (x)	3.4	2.9	2.5	2.2
RoE (%)	16.5	14.4	14.1	14.1
RoCE (%)	22.0	20.1	19.6	19.7
EV/Sales (x)	1.3	1.2	1.1	0.9
EV/EBITDA (x)	11.0	10.6	9.5	8.3

BUY

CMP	₹1,680
Target Price	₹2,165
Investment Period	12 Months

Stock Info

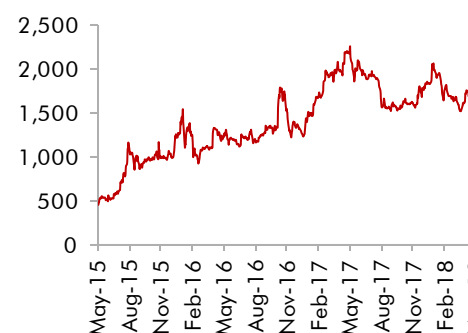
Sector	Plastic
Market Cap (₹ cr)	2,806
Net Debt (₹ cr)	98
Beta	0.9
52 Week High / Low	1258
Avg. Daily Volume	16,794
Face Value (₹)	10
BSE Sensex	33,812
Nifty	10,442
Reuters Code	NKML.BO
Bloomberg Code	NILK.IN

Shareholding Pattern (%)

Promoters	64.1
MF / Banks / Indian Fls	9.8
FII / NRIs / OCBs	4.4
Indian Public / Others	21.8

Abs.(%)	3m	1yr	3yr
Sensex	7.4	27.1	22.9
Nilkamal	21.5	47.8	300.6

3-year price chart



Source: Company, Angel Research

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Exhibit 1: 4QFY2018 Performance

Y/E March (₹cr)	4QFY18	4QFY17	% chg. (yoy)	3QFY18	% chg. (qoq)	FY2018	FY2017	% chg
Net Sales	596	532	12.1	394	51.4	2,124	2,024	4.9
Net raw material	342.0	311	9.9	163.2	109.5	1193.5	1163.96	2.5
(% of Sales)	57.4	58.5	(115)	41.5	1,589	56.2	57.5	
Employee Cost	42	37	14.2	47	(10.1)	173	155	12.0
(% of Sales)	7.1	7.0	13	12.0	(487)	8.1	7.6	
Other Expenses	146	125	17.1	133	10.2	518	474	9.3
(% of Sales)	24.6	23.5	105	33.7	(918)	24.4	23.4	
Total Expenditure	531	473	12.1	343	54.6	1,885	1,792	5.2
Operating Profit	65	58	11.7	50	29.7	239	232	3
OPM (%)	11.0	11.0	(4)	12.8	(184)	11.27	11.45	(17)
Interest	3	3	27.1	9	(62.7)	13	12	7.5
Depreciation	11	12	(2.8)	15	(24.1)	50	51	(0.1)
Other Income	2	2	6.6	8	(75.2)	4	3	11.5
PBT	53	46	14.2	34	53.8	180	173	4.2
(% of Sales)	8.8	8.7		8.7		8.5	8.5	
Tax	19	14	35.8	12	59.6	63	54	17.4
(% of PBT)	35.7	30.0		34.4		35.0	31.0	
Reported PAT	34	32	5.0	22	50.8	117	119	(1.7)
PATM	5.7	6.1		5.7		5.5	5.9	

Source: Company, Angel Research

Key investment arguments

Market leader in plastic furniture with strong brand name: Nilkamal has strong brand recall and is a market leader with ~39% market share in the plastic furniture segment (double of its closest peer). Nilkamal has planned an additional investment for 10 new products in the monoblock and value added segments like plastic storage. The market share of non-monoblock category in the current year would continue to witness an improvement. Further, Nilkamal is a market leader in material handling segment as well. The company is optimistic regarding the revival in demand for material handling products, supported by various initiatives like Swachh Bharat Abhiyan, etc.

Mattress segment geared up for the big organised opportunity: The size of organized mattress industry is ~₹3,200cr and is envisaged to grow by 12-15% pa. Currently, mattress segment contributes `48cr to the company's total revenue (up ~44% yoy in FY17). Nilkamal is targeting revenues up to ₹200cr over the next 2-3 years on the back of strong brand, wide distribution network and shift of consumer sentiment towards branded products.

Wide distribution network: Nilkamal has a network of nearly 980 channel partners and over 15,000 dealers on a pan India basis. The strong network of 40 plus depots and 300 plus sales staff is assisted by a robust "SCM" system, which links the multi locational production facilities to deliver products efficiently, and has enhanced the company's penetration and improved timely fill rates to modern trade outlets and e-commerce portals across the country.

Retail division expected to perform better: Nilkamal continues to remain a trusted brand among consumers with its 17 large format stores, one Go-to-Market (GTM) store and 8 shop-in-shop stores (Shoppers Stop), spread across 14 cities, covering a retail space of over 2.87 lakh sq. ft. The company registered flattish top-line growth last year due to trimming down of non-profitable stores. Going forward, we expect improvement in retail space on revenue and profitability fronts backed by foray into customized kitchens, wall units and wardrobes.

Outlook & Valuation: We forecast Nilkamal Ltd. to report top-line CAGR of ~11% to ₹2,635cr over FY18-20E on the back of healthy demand growth in plastic division. On the bottom-line front, we estimate ~14% CAGR to ₹162cr owing to improvement in volumes. **We maintain a Buy recommendation with a target price of ₹2,165.**

Downside risks to our estimates

- **Volatile raw material prices:** High volatility in crude and raw material prices could have a negative impact on the company's performance.
- **Economic slowdown:** Economic slowdown will have a negative impact on the performance of the company, as both plastics and '@home' are dependent on the economic scenario.
- **Competition from the unorganized segment:** Availability of low priced furniture from the unorganized segment poses a threat, as it offers lower priced products by compromising on quality.

Company Background

Nilkamal Ltd is engaged in the manufacturing and retail sales of moulded plastic furniture and material handling products. The company has three divisions viz. plastics, lifestyle furniture and furnishings & accessories. The products of these divisions are sold through the company's retail chain "@home". The company is also present in the mattress business, which is relatively smaller in size. The company's manufacturing plants are located at Barjora (West Bengal), Hosur (Tamil Nadu), Jammu, Kharadapada and Vasona (Dadra & Nagar Haveli), Noida (UP), Sinnor and Nashik (Maharashtra) and in Pudducherry. Its retail store chain "@home" operates 17 stores across 14 cities covering a retail space of over 3.15 lakh sq. ft.

Consolidated Profit & Loss Statement

Y/E March (₹cr)	FY2017	FY2018	FY2019E	FY2020E
Total operating income	2,024	2,124	2,333	2,635
% chg	5.1	4.9	9.9	12.9
Total Expenditure	1,792	1,885	2,070	2,340
Raw Material	1,160	1,194	1,330	1,502
Personnel	155	173	187	216
Others Expenses	478	518	553	622
EBITDA	232	239	264	295
% chg	0.7	3.3	10.1	11.9
(% of Net Sales)	11.4	11.3	11.3	11.2
Depreciation & Amortisation	51	50	61	67
EBIT	181	189	203	229
% chg	3.5	4.3	7.3	12.7
(% of Net Sales)	8.9	8.9	8.7	8.7
Interest & other Charges	12	13	8	4
Other Income	3	4	4	5
(% of PBT)	1.9	2.0	2.0	2.2
Share in profit of Associates	-	-	-	-
Recurring PBT	173	180	198	230
% chg	7.9	4.2	10.1	16.0
Tax	54	63	61	71
(% of PBT)	31.0	35.0	31.0	31.0
PAT (reported)	119	117	137	159
Minority Interest (after tax)	2	0	2	2
Profit/Loss of Associate Company	5	7	5	5
Extraordinary Items	(0)	-	-	-
ADJ. PAT	123	123	140	162
% chg	7.4	0.8	13.4	15.4
(% of Net Sales)	6.1	5.8	6.0	6.1
Basic EPS (Rs)	82.1	82.8	93.8	108.3
Fully Diluted EPS (Rs)	82.1	82.8	93.8	108.3
% chg	7.4	0.8	13.4	15.4

Consolidated Balance Sheet

Y/E March (₹cr)	FY2017	FY2018	FY2019E	FY2020E
SOURCES OF FUNDS				
Equity Share Capital	15	15	15	15
Reserves & Surplus	727	844	978	1,134
Shareholders Funds	742	859	993	1,149
Minority Interest	7	7	7	7
Total Loans	83	80	40	10
Deferred Tax Liability	18	18	18	18
Total Liabilities	850	964	1,058	1,184
APPLICATION OF FUNDS				
Gross Block	370	415	455	495
Less: Acc. Depreciation	99	150	211	277
Net Block	271	265	244	218
Capital Work-in-Progress	32	32	32	32
Investments	42	42	42	42
Current Assets	749	847	994	1,181
Inventories	336	372	428	484
Sundry Debtors	301	338	390	469
Cash	14	5	13	18
Loans & Advances	48	64	82	105
Other Assets	50	68	82	105
Current liabilities	255	232	265	300
Net Current Assets	494	614	729	881
Deferred Tax Asset	11	11	11	11
Mis. Exp. not written off	-	-	-	-
Total Assets	850	964	1,058	1,184

Consolidated Cash flow Statement

Y/E March (₹cr)	FY2017	FY2018	FY2019E	FY2020E
Profit before tax	173	180	198	230
Depreciation	51	50	61	67
Change in Working Capital	(66)	(129)	(107)	(147)
Interest / Dividend (Net)	12	0	0	0
Direct taxes paid	(58)	(63)	(61)	(71)
Others	3	0	0	0
Cash Flow from Operations	114	38	91	78
(Inc.)/ Dec. in Fixed Assets	(79)	(45)	(40)	(40)
(Inc.)/ Dec. in Investments	6	3	3	3
Cash Flow from Investing	(73)	(42)	(37)	(37)
Issue of Equity	0	0	0	0
Inc./(Dec.) in loans	(19)	(3)	(40)	(30)
Dividend Paid (Incl. Tax)	(8)	(6)	(6)	(6)
Interest / Dividend (Net)	(16)	3	0	0
Cash Flow from Financing	(43)	(6)	(46)	(36)
Inc./(Dec.) in Cash	(2)	(9)	8	5
Opening Cash balances	16	14	5	13
Closing Cash balances	14	5	13	18

Key Ratios

Y/E March	FY2017	FY2018	FY2019E	FY2020E
Valuation Ratio (x)				
P/E (on FDEPS)	20.5	20.3	17.9	15.6
P/CEPS	14.8	15.0	12.7	11.2
P/BV	3.4	2.9	2.5	2.2
Dividend yield (%)	0.2	0.2	0.2	0.2
EV/Sales	1.3	1.2	1.1	0.9
EV/EBITDA	11.0	10.6	9.5	8.3
EV / Total Assets	3.0	2.6	2.4	2.1
Per Share Data (₹)				
EPS (Basic)	82.1	82.8	93.8	108.3
EPS (fully diluted)	82.1	82.8	93.8	108.3
Cash EPS	113.7	112.4	132.6	151.0
DPS	4.0	4.0	4.0	4.0
Book Value	497.3	576.0	665.8	770.1
Returns (%)				
ROCE	22.0	20.1	19.6	19.7
Angel ROIC (Pre-tax)	23.5	21.2	20.7	20.8
ROE	16.5	14.4	14.1	14.1
Turnover ratios (x)				
Asset Turnover (Gross Block)	5.5	5.1	5.1	5.3
Inventory / Sales (days)	61	64	67	67
Receivables (days)	54	58	61	65
Payables (days)	21	19	19	19
Working capital cycle (ex-cash) (days)	94	103	109	113

Source: Company, Angel Research

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Disclosure of Interest Statement Nilkamal

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| 1. Analyst ownership of the stock | No |
| 2. Angel and its Group companies ownership of the stock | No |
| 3. Angel and its Group companies' Directors ownership of the stock | No |
| 4. Broking relationship with company covered | No |

Note: We have not considered any Exposure below ₹ 1 lakh for Angel, its Group companies and Directors

Ratings (Returns):	Buy (> 15%) Reduce (-5% to -15%)	Accumulate (5% to 15%) Sell (< -15%)	Neutral (-5 to 5%)
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