

Nilkamal Ltd

The furniture maker moulds the growth route

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. Nilkamal's manufacturing plants are located at Barjora (West Bengal), Hosur (Tamil Nadu), Jammu, Dadra & Nagar Haveli, Noida (UP), Sinnor and Nashik (Maharashtra) and in Pudducherry.

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 too. 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 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. Nilkamal 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 and Valuation: We forecast Nilkamal to report top-line CAGR of ~9% to ~2,635cr over FY17-20E on the back of healthy demand growth in plastic division. On the bottom-line front, we estimate ~10% CAGR to ~162cr owing to improvement in volumes. Further, better margins and lower interest cost would aid profitability. **We initiate coverage on Nilkamal with a Buy recommendation and target price of ~2,178 (20x FY2020E EPS), indicating an upside of ~16% from the current levels.**

Key financials

Y/E March (₹ cr)	FY2016	FY2017	FY2018E	FY2019E	FY2020E
Net Sales	1,926	2,024	2,097	2,333	2,635
% chg	1.7	5.1	3.6	11.3	12.9
Net Profit	114	123	123	141	162
% chg	126.0	7.4	0.7	14.6	15.0
OPM (%)	11.9	11.4	11.3	11.3	11.2
EPS (Rs)	76.4	82.1	82.7	94.7	108.9
P/E (x)	24.6	22.9	22.7	19.8	17.3
P/BV (x)	4.5	3.8	3.3	2.8	2.4
RoE (%)	18.2	16.5	14.4	14.2	14.1
RoCE (%)	23.9	22.0	19.2	19.6	19.7
EV/Sales (x)	1.5	1.4	1.3	1.2	1.0
EV/EBITDA (x)	12.4	12.2	11.9	10.6	9.3

Source: Company, Angel Research, Note: CMP as of January 02, 2018

Quick take

BUY

CMP	~1,880
Target Price	~2,178
Investment Period	12 Months

Stock Info	
Sector	Plastic
Market Cap (₹ cr)	2,806
Net Debt (₹ cr)	98
Beta	0.9
52 Week High / Low	2275 / 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 FIs	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 daily price chart



Source: Company, Angel Research

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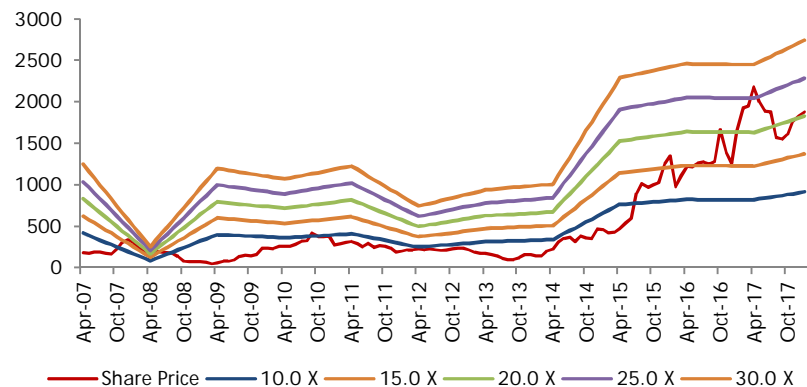
Company Background

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.

Outlook and Valuation

We forecast Nilkamal to report top-line CAGR of ~9% to `2,635cr over FY17-20E on the back of healthy demand growth in plastic division. On the bottom-line front (reported PAT), we estimate ~10% CAGR to `162cr owing to improvement in volumes. Further, better margins and lower interest cost would aid profitability. **We initiate coverage on Nilkamal with a Buy recommendation and target price of `2,178 (20x FY2020E EPS), indicating an upside of ~16% from the current levels.**

Exhibit 1: One year forward PE chart



Source: Company, Angel Research

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.

Consolidated Profit & Loss Statement

Y/E March (` cr)	FY2016	FY2017	FY2018E	FY2019E	FY2020E
Total operating income	1,926	2,024	2,097	2,333	2,635
% chg	1.7	5.1	3.6	11.3	12.9
Total Expenditure	1,696	1,792	1,860	2,070	2,340
Raw Material	1,111	1,160	1,195	1,330	1,502
Personnel	143	155	164	187	216
Others Expenses	443	478	501	553	622
EBITDA	230	232	237	264	295
% chg	49.7	0.7	2.3	11.3	11.9
(% of Net Sales)	11.9	11.4	11.3	11.3	11.2
Depreciation& Amortisation	55	51	57	61	67
EBIT	175	181	180	203	229
% chg	81.9	3.5	(0.6)	12.6	12.7
(% of Net Sales)	9.1	8.9	8.6	8.7	8.7
Interest & other Charges	18	12	10	7	3
Other Income	3	3	4	5	6
(% of PBT)	2.0	1.9	2.3	2.5	2.6
Share in profit of Associates	-	-	-	-	-
Recurring PBT	160	173	174	200	231
% chg	126.2	7.9	0.6	15.2	15.6
Tax	52	54	54	62	72
(% of PBT)	32.2	31.0	31.0	31.0	31.0
PAT (reported)	109	119	120	138	160
Minority Interest (after tax)	2	2	2	2	2
Profit/Loss of Associate Company	7	5	5	5	5
Extraordinary Items	0	(0)	-	-	-
ADJ. PAT	114	123	123	141	162
% chg	126.0	7.4	0.7	14.6	15.0
(% of Net Sales)	5.9	6.1	5.9	6.1	6.2
Basic EPS (`)	76.4	82.1	82.7	94.7	108.9
Fully Diluted EPS (`)	76.4	82.1	82.7	94.7	108.9
% chg	126.0	7.4	0.7	14.6	15.0

Consolidated Balance Sheet

Y/E March (` cr)	FY2016	FY2017	FY2018E	FY2019E	FY2019E
SOURCES OF FUNDS					
Equity Share Capital	15	15	15	15	15
Reserves& Surplus	613	727	844	980	1,136
Shareholders Funds	628	742	859	995	1,151
Minority Interest	7	7	7	7	7
Total Loans	105	83	80	40	10
Deferred Tax Liability	18	18	18	18	18
Total Liabilities	758	850	964	1,059	1,186
APPLICATION OF FUNDS					
Gross Block	327	370	415	455	495
Less: Acc. Depreciation	54	99	156	217	284
Net Block	273	271	259	238	211
Capital Work-in-Progress	5	32	32	32	32
Investments	44	42	42	42	42
Current Assets	677	749	849	1,002	1,190
Inventories	305	336	368	428	484
Sundry Debtors	269	301	333	390	469
Cash	16	14	19	21	26
Loans & Advances	37	48	63	82	105
Other Assets	51	50	67	82	105
Current liabilities	248	255	229	265	300
Net Current Assets	429	494	621	737	890
Deferred Tax Asset	8	11	11	11	11
Mis. Exp. not written off	-	-	-	-	-
Total Assets	758	850	964	1,059	1,186

Consolidated Cash flow Statement

Y/E March (` cr)	FY2016	FY2017	FY2018E	FY2019E	FY2020E
Profit before tax	160	173	174	200	231
Depreciation	55	51	57	61	67
Change in Working Capital	(4)	(66)	(122)	(114)	(147)
Interest / Dividend (Net)	18	12	0	0	0
Direct taxes paid	(51)	(58)	(54)	(62)	(72)
Others	6	3	0	0	0
Cash Flow from Operations	183	114	55	85	79
(Inc.)/ Dec. in Fixed Assets	(39)	(79)	(45)	(40)	(40)
(Inc.)/ Dec. in Investments	(3)	6	3	3	3
Cash Flow from Investing	(42)	(73)	(42)	(37)	(37)
Issue of Equity	0	0	0	0	0
Inc./(Dec.) in loans	(102)	(19)	(3)	(40)	(30)
Dividend Paid (Incl. Tax)	(19)	(8)	(6)	(6)	(6)
Interest / Dividend (Net)	(25)	(16)	0	0	0
Cash Flow from Financing	(146)	(43)	(9)	(46)	(36)
Inc./(Dec.) in Cash	(5)	(2)	5	2	6
Opening Cash balances	21	16	14	19	21
Closing Cash balances	16	14	19	21	26

Key Ratios

Y/E March	FY2016	FY2017	FY2018E	FY2019E	FY2020E
Valuation Ratio (x)					
P/E (on FDEPS)	24.6	22.9	22.7	19.8	17.3
P/CEPS	17.2	16.5	15.9	14.1	12.4
P/BV	4.5	3.8	3.3	2.8	2.4
Dividend yield (%)	0.4	0.2	0.2	0.2	0.2
EV/Sales	1.5	1.4	1.3	1.2	1.0
EV/EBITDA	12.4	12.2	11.9	10.6	9.3
EV / Total Assets	3.8	3.3	2.9	2.6	2.3
Per Share Data (Rs)					
EPS (Basic)	76.4	82.1	82.7	94.7	108.9
EPS (fully diluted)	76.4	82.1	82.7	94.7	108.9
Cash EPS	109.6	113.7	118.6	133.5	151.6
DPS	7.0	4.0	4.0	4.0	4.0
Book Value	420.6	497.3	575.9	666.6	771.5
Returns (%)					
ROCE	23.9	22.0	19.2	19.6	19.7
Angel ROIC (Pre-tax)	26.0	23.5	20.5	20.8	20.9
ROE	18.2	16.5	14.4	14.2	14.1
Turnover ratios (x)					
Asset Turnover (Gross Block)	5.9	5.5	5.1	5.1	5.3
Inventory / Sales (days)	58	61	64	67	67
Receivables (days)	51	54	58	61	65
Payables (days)	22	21	19	19	19
Working capital cycle (ex-cash) (days)	87	94	103	109	113

Source: Company, Angel Research

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Disclosure of Interest Statement	Nilkamal Ltd
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 (Based on expected returns over 12 months investment period):	Buy (> 15%)	Accumulate (5% to 15%) Reduce (-5% to -15%)	Neutral (-5 to 5%) Sell (< -15)
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