



COMPANY NAME	: Nilkamal Ltd.
BSE Code	: 523385
Time Duration	: 1 year
CMP	: ₹1,573 (as on 21 Sept., 2017)
Target Price	: ₹2,088

The Mid Bridge for the month of September is Nilkamal Ltd. The company is engaged in the manufacture of plastic products and retail sales. It has created its strong brand presence in the market and operates through three verticals; namely, moulded furniture, ready furniture and mattress. Such diversified product line has enabled the company to build its unique business model. It has pan-India presence with deep penetration, which has enabled the company to deliver consistency in growth. It has a network of 980 channel partners and over 15,000 dealers across India. Although the company's revenue has grown at a CAGR of 5.13% over the last three years, its net profit has shown tremendous growth of 37.5% CAGR during the same period.

Plastic division – highest market share

The company enjoys highest market share in plastics division, which includes moulded furniture and ready furniture products. It focuses on innovation and technology improvement to retain and improve its market share. In FY17, the company introduced 9 new models in moulded furniture segment in the premium range, which has improved the bottomline of its channel partner. The company is planning for additional investment in 10 new products in the monoblock and value-added segments like plastic storage category in FY18. We see that due to GST, the plastics division would undergo margin pressures, but we expect H2FY18 to show robust growth.

Growing trend for readymade furniture

The readymade furniture vertical has a range of 450 products with a combination of metal chairs/selected office chairs manufactured in the Hosur plant and traded products across all segments. The segments in which these are sold are home and office furniture, which include bed room, living room, desking and storage, dining, etc. In FY17, this vertical witnessed a growth of over 30% in the distributor/dealer network. It launched 25-30 new products in this segment. This division has delivered a CAGR of 40% in the last three years.

The company's @home division includes products related to lifestyle furniture, furnishing and accessories and have skilled in-house team of designers to assist customers with their interior building and decoration planning. These stores are located in Tier-II and Tier-III cities with area size ranging from 5000 to 8000 sq.ft. Currently, it has 17 large format stores spread across 14 cities, covering retail space of 2.87 lakh sq.ft. In FY17, this divi-

sion showed growth of 5% on a YoY basis. Management believes the division would continue to show consistent growth in the upcoming years. Also, it has no immediate plans for expansion. We see that ~12% of the total revenue is generated from this segment. The trend for readymade furniture and accessories is increasing in urban areas and hence we expect this trend would be beneficial in driving demand for this segment of the company.

Mattress – an emerging growth segment

The company initiated this segment of integration of mattress with furniture in fiscal 2012. Since inception, the company has recorded outstanding growth and for FY17 it recorded growth of 44% YoY, whereas the industry growth has been only 10% YoY. The company has manufacturing facilities in southern and eastern parts of India. In FY18, it plans to foray into northern and western regions of India. Although the company has stiff competition from two large players in the market, its growth trend has been high. The management is confident of scaling up the topline of this vertical to Rs 200 crore within three years from the present turnover of Rs 48 crore.

Industry outlook

The furniture industry is expected to expand at a CAGR of 12.9% during 2016-23. The rising trend for modular and state-of-the-art furniture among the population living in urban cities, growing urbanisation in India, rising demand for durable and hybrid seating furniture are the growth drivers we see that can trigger demand in this industry. The government's initiatives such as 'Smart Cities' and 'Housing for All' would also benefit this industry as demand for furniture goes parallel with infrastructure development.

The organised mattress industry has a size of approximately Rs 3,200 crore and is envisaged to grow @ 12-15% annually. The major growth comes from foam and spring segment of the mattress industry, where there are very few organised players. The growing per capita income and literacy in India is triggering "The Wellness Theme" which would in turn help the shift from unorganised to branded players.

Financial Performance

During FY17, the company achieved a gross turnover of Rs 2,106.86 crore, which is up by 5% from Rs 2,000.55 crore of the previous financial year. The EBIDTA achieved by the company was Rs 2,293.2 crore as against Rs 2,258.5 crore of the previous

CONFIDENTIALITY NOTICE : Information contained in this report is intended for the subscribers of this product only. Unauthorized forwarding, printing, copying, distribution, or using the information in a searchable, machine-readable database is strictly prohibited and may be unlawful. **Disclaimer**: The recommendations are purely a view point and there is no guarantee on the returns. Hence all the clients (paid or unpaid) are requested to apply their prudence before acting on any of the recommendations. Neither DSJ Pvt Ltd nor any of its promoters, members, or employees shall be held responsible for any losses incurred (if any) by acting on the recommendations. Disclosure : Kindly refer to the detailed disclosures as per SEBI (investment advisors) regulations, 2013 placed at www.DSJI.in

DSIJ Pvt. Ltd. : C - 305, Trade Center, North Main Road, Near Axis Bank, Opp. Lane no. 6, Koregaon Park, Pune - 411001 | For Customer Service : 020-49072626 OR service@dsij.in

Registered Office Address: 419-A, 4th Floor, Arun Chambers, Tardeo, Next to AC Market, Mumbai - 400034

CIN No. : CIN-U22120MH2003PTC139276 SEBI Registration No: INA000001142

DSIJ INVESTMENT ADVISORY UNIT (CRU)

year. The company's PAT stood at Rs 168.92 crore vis-à-vis Rs 154.66 crore for FY16. Consequently, the EPS went up from Rs 70 to Rs 79. The plastic business achieved a volume growth of 8% and value growth of 6%. The company declared dividend of Rs 11 per share for FY17.

During Q1FY18, the company achieved turnover of Rs 524.39 crore as against Rs 495.78 crore in Q1FY17, a rise of 6% YoY. Its EBITDA declined from Rs 46.6 crore in Q1FY17 to Rs 33.25 crore in Q1FY18. The volume growth recorded on a YoY basis was 2% in the June quarter. The PAT declined by 41.6% from Rs 31.67 crore to Rs 22.37 crore YoY. Its debt-equity ratio stands low at 0.12x, leading to interest coverage ratio of 12.88x for FY17.

The decline in margins was due to higher spends on advertisement and promotions. Also, lower volume growth due to transition to GST impacted the net revenues.

Valuation

The company is trading at TTM P/E of 21.5x with TTM EPS of Rs 73.15. For FY17, it delivered ROE and ROCE of 18.47% and 24.91%, respectively. The share price of Nilkamal has corrected due to poor Q1FY18 results on account of GST impact and higher spends on brand building. Considering its position as a market leader in plastic furniture and expected growth in retail sector, we see an upside of 33% from the current level over a period of one year with target price of Rs 2,088.

Inc/Exp Statement(Standalone) (Rs in Crore)

Description	201703	201603	201503	201403	201303
Net Sales	1956.65	1857.59	1786.66	1649.07	1610.66
Total Income	1968.66	1867.05	1792.91	1652.60	1614.85
Total Expenditure	1736.71	1638.65	1646.66	1504.13	1483.88
PBIDT	231.95	228.40	146.25	148.47	130.97
PAT	118.45	104.78	42.46	40.03	31.19
Dividend %	110.00	70.00	45.00	40.00	40.00
Adj. EPS(Rs)	79.38	70.22	28.45	26.83	20.90

Quarter On Quarter (Standalone) (Rs in Crore)

Particulars	201706	201703	Q on Q Var%	201606	Y on Y Var%
Net Sales	524.39	568.69	-7.79	495.78	5.77
Total Expenditure	481.05	510.24	-5.72	437.29	10.01
PBIDT (Excl OI)	43.34	58.46	-25.86	58.49	-25.90
PAT	22.37	32.21	-30.55	31.67	-29.36
PBIDTM% (Excl OI)	8.26	10.28	-19.65	11.80	-30.00
PBIDTM%	9.08	10.60	-14.34	12.56	-27.71
PATM%	4.27	5.66	-24.56	6.39	-33.18
Adj. EPS(Rs)	14.99	21.59	-30.57	21.22	-29.36

