

June 19, 2012

BUY

MEDIUM RISK

PRICE Rs.216

TARGET Rs.400

## PLASTICS

### EARLIER RECO

<b>Buy</b>	
Price	Rs.237
Target	Rs.400
Date	Dec. 01, 2011

### SHARE HOLDING (%)

Promoters	62.2
FII	-
FI/MF	18.0
Body Corporates	3.0
Public & Others	16.8

### STOCK DATA

<b>Reuters Code</b>	<b>NKML.BO</b>	
<b>Bloomberg Code</b>	<b>NILK@IN</b>	
<b>BSE Code</b>	<b>523385</b>	
<b>NSE Symbol</b>	<b>NILKAMAL</b>	
<b>Market Capitalization*</b>	<b>Rs. 3222.7 mn</b> <b>US\$ 58.0 mn</b>	
<b>Shares Outstanding*</b>	<b>14.92 mn</b>	
<b>52 Weeks (H/L)</b>	<b>Rs.310 / 177</b>	
<b>Avg. Daily Volume (6m)</b>	<b>16340 Shares</b>	
<b>Price Performance (%)</b>		
<b>1M</b>	<b>3M</b>	<b>6M</b>
-	1	7
<b>200 Days EMA: Rs.227</b>		

\*On fully diluted equity shares

Part of  Bonanza



### ANALYST

**Bhavika Shah** | +91 22 4093 5054  
[bhavika.shah@sushilfinance.com](mailto:bhavika.shah@sushilfinance.com)

### SALES:

**Devang Shah** | +91 22 4093 6060/61  
[devang.shah@sushilfinance.com](mailto:devang.shah@sushilfinance.com)

Nilkamal Ltd. is one of the leading company manufacturing injection moulded plastic products like furniture, plastic crates-used for material handling, storage & distribution and custom mouldings. Additionally, the company has made a successful foray into the lifestyle furniture retailing business through “@home”, a home solution store. **We recently had a telecon with the Management of the Company to discuss its financial performance during Q4FY12 and outlook for ensuing period. The key takeaways of the Telecon are hereunder:**

- Nilkamal Ltd. has delivered good set of numbers for the quarter ended 31<sup>st</sup> March, 2012 (Q4FY12). It has posted net sales (on a standalone basis) of Rs.4154.6 mn, registering a growth of 21% YoY. Its EBITDA grew by 25.6% YoY to Rs. 389.6 mn and EBITDA margins increased by 34 bps to 9.38%. It's APAT increased by 23% to Rs. 143.5. It's AEPS for the quarter Q4FY12 stood at Rs. 9.62.
- During FY12, Nilkamal's net sales (on a consolidated basis) increased by 15% to Rs. 15165.2 mn. Its EBITDA increased by 17.7% at Rs. 1603.4 mn, while the EBITDA margins decreased by 24 bps to 10.6%. It's APAT increased by 14.4% to Rs. 611.1. It's AEPS for the FY12 stood at Rs. 40.9. During the year it incurred a Capex of approximately Rs. 750 mn. Nilkamal also declared a dividend of 40% (i.e. Rs. 4 per share FV=Rs.10).
- During the year, the net sales in plastic business increased by 15.7% YoY to Rs. 13113.5 mn and the EBITDA margins in plastic business were 12.22% as compared to 11.90% in FY11. However this was achieved with the help of the volume and the value growth of 6% and 9% respectively. Material Handling business achieved a volume growth of 16% & value growth of 20% and Moulded furniture had a de-growth of 3% in volume terms. The retail segment (@ Home) Revenues during the year increased by 11.1% YoY to Rs. 1912.7 mn and posted an EBIT loss of Rs. 38.1 mn.
- There are total 20 @home stores spread across 11 cities covering a retail space of over 3.5 lacs sq feet.
- Nilkamal BITO Storage (Indo-German JV) manufacturing storage systems, achieved profits for the first time, since inception with volume growth of 25% and value growth of 27%.
- Nilkamal has started its mattresses business in the western and southern part of India and has received a good response from the market. The Company has launched for the first time in India, a new Dual surface mattress i.e. Firm and soft on the same side of the mattress. The Company also started manufacturing of mattresses and achieved a turnover of Rs. 132 mn in FY12.

## OUTLOOK & VALUATION

Nilkamal, with its strong market presence and brand value, continues to dominate the industry in its plastic business. Going forward, we expect new product launches, rise in volumes of value added products and capacity expansion to drive its Revenues.

After considering its FY12 performance we have revised our FY13 numbers and introduced FY14 numbers, we now expect its consolidated Revenues and APAT to grow by 10.7% & 10.2% in FY13 and 12.8% & 10.4% in FY14 respectively. At the CMP of Rs.216, the stock is available at an attractive valuation of 4.3x its FY14E earnings of Rs.49.8. We maintain our “BUY” Rating on the stock with the maintained Target price of Rs.400 (8x its FY14E earnings of Rs. 49.8).

## KEY FINANCIALS (Consolidated)

Y/E	Revenue (Rs mn)	APAT (Rs mn)	APAT (%Ch.)	AEPS (Rs.)	P/E (x)	ROCE (%)	ROE (%)	P/BV (x)
Mar.								
FY11	13180.6	534.1	3.7	35.8	6.0	16.6	15.0	0.9
FY12	15165.2	611.1	14.4	40.9	5.3	15.8	14.9	0.8
<b>FY13E</b>	<b>16784.3</b>	<b>673.3</b>	<b>10.2</b>	<b>45.1</b>	<b>4.8</b>	<b>17.1</b>	<b>14.4</b>	<b>0.7</b>
<b>FY14E</b>	<b>18932.7</b>	<b>743.6</b>	<b>10.4</b>	<b>49.8</b>	<b>4.3</b>	<b>18.1</b>	<b>14.0</b>	<b>0.6</b>

QUARTERLY STATEMENT (Standalone)					Rs.mn
Y/E March	Q3FY11	Q3FY12	Q4FY11	Q4FY12	
<b>Net sales</b>	<b>3047.5</b>	<b>3456.2</b>	<b>3430.2</b>	<b>4154.6</b>	
Growth %	22.4	13.4	11.8	21.1	
Total Expense	2751.1	3088.6	3120.1	3765.0	
<b>EBITDA</b>	<b>296.4</b>	<b>367.6</b>	<b>310.1</b>	<b>389.6</b>	
Growth %	(14.9)	24.0	5.3	25.6	
Margin %	9.7	10.6	9.0	9.4	
Interest	68.3	95.7	77.5	116.5	
Depreciation	84.3	106.0	86.8	106.6	
Other Income	6.1	0.0	0.0	12.4	
<b>PBT</b>	<b>149.8</b>	<b>166.0</b>	<b>145.8</b>	<b>178.9</b>	
Margin %	4.9	4.8	4.3	4.3	
Tax	34.1	30.3	29.1	35.4	
Rate %	22.8	18.3	20.0	19.8	
<b>APAT</b>	<b>115.7</b>	<b>135.7</b>	<b>116.7</b>	<b>143.5</b>	
Margin %	3.8	3.9	3.4	3.5	
Extraordinary items	0.0	0.0	0.0	0.0	
<b>RPAT</b>	<b>115.7</b>	<b>135.7</b>	<b>116.7</b>	<b>143.5</b>	
Margin %	3.8	3.9	3.4	3.5	

PROFIT & LOSS STATEMENT (Consolidated)					Rs.mn
Y/E March	FY11	FY12	FY13E	FY14E	
<b>Net sales</b>	<b>13180.6</b>	<b>15165.2</b>	<b>16784.3</b>	<b>18932.7</b>	
Raw Material	8131.0	9242.3	10070.6	11397.5	
Employee Cost	818.2	969.8	1115.2	1260.2	
Other Expenses	2869.0	3349.8	3768.5	4213.2	
<b>EBITDA</b>	<b>1362.4</b>	<b>1603.4</b>	<b>1830.0</b>	<b>2061.8</b>	
Interest	309.5	405.4	445.9	490.5	
Depreciation	351.1	431.4	474.5	545.7	
Other Income	35.4	15.6	17.2	18.0	
<b>PBT</b>	<b>737.2</b>	<b>782.2</b>	<b>926.7</b>	<b>1043.6</b>	
Tax	196.6	163.3	245.6	292.2	
<b>APAT</b>	<b>540.7</b>	<b>618.9</b>	<b>681.1</b>	<b>751.4</b>	
Minority Interest	(6.6)	(7.9)	(7.8)	(7.8)	
<b>CONAPAT</b>	<b>534.1</b>	<b>611.1</b>	<b>673.3</b>	<b>743.6</b>	
Extraordinary items	0.0	0.0	0.0	0.0	
<b>RPAT</b>	<b>534.1</b>	<b>611.1</b>	<b>673.3</b>	<b>743.6</b>	

BALANCE SHEET STATEMENT (Consolidated)					Rs.mn
As on 31 <sup>st</sup> March	FY11	FY12	FY13E	FY14E	
Equity Share Capital	149.2	149.2	149.2	149.2	
Reserves and Surplus	3445.3	3992.2	4577.8	5216.1	
<b>Net worth</b>	<b>3594.5</b>	<b>4141.5</b>	<b>4727.0</b>	<b>5365.3</b>	
Minority Interest	33.6	39.7	43.7	48.1	
Secured Loans	2662.8	3327.7	3244.6	3082.3	
Unsecured Loans	0.0	0.0	0.0	0.0	
<b>Capital Employed</b>	<b>6290.9</b>	<b>7508.9</b>	<b>8015.3</b>	<b>8495.7</b>	
Net Block	3069.5	3449.1	3802.6	3766.9	
Cap. WIP	96.8	128.1	50.0	40.0	
Investments	16.1	0.0	0.0	0.0	
Inventories	2370.1	2889.0	1986.5	2248.3	
Sundry Debtors	1560.7	2155.0	2391.2	2697.3	
Cash & Bank Bal	289.6	229.1	420.6	444.2	
Loans & Advances	842.5	979.1	1083.7	1222.4	
Curr Liab & Prov	1787.7	2128.7	1518.0	1717.0	
<b>Net Current Assets</b>	<b>3275.2</b>	<b>4123.5</b>	<b>4364.0</b>	<b>4895.2</b>	
Def. Tax Assets (Net)	(166.7)	(191.8)	(201.3)	(206.4)	
Misc Expenditure	0.0	0.0	0.0	0.0	
<b>Total Assets</b>	<b>6290.9</b>	<b>7508.9</b>	<b>8015.3</b>	<b>8495.7</b>	

FINANCIAL RATIO STATEMENT (Consolidated)				
Y/E March	FY11	FY12	FY13E	FY14E
<b>Growth (%)</b>				
Net Sales	20.4	15.1	10.7	12.8
APAT	3.7	14.4	10.2	10.4
EBITDA	4.1	17.7	14.1	12.7
<b>Profitability (%)</b>				
EBITDA Margin	10.3	10.6	10.9	10.9
Adj. PAT Margin	4.1	4.0	4.0	3.9
ROCE	16.6	15.8	17.1	18.1
ROE	15.0	14.9	14.4	14.0
<b>Per Share Data (Rs.)</b>				
Adj. EPS	35.8	40.9	45.1	49.8
Adj. CEPS	59.3	69.9	76.9	86.4
BVPS	240.9	277.5	316.8	359.5
<b>Valuations (X)</b>				
PER	6.0	5.3	4.8	4.3
PEG	(0.5)	0.4	0.5	0.4
P/BV	0.9	0.8	0.7	0.6
EV / EBITDA	4.1	3.9	3.3	2.8
EV / Net sales	0.4	0.4	0.4	0.3
Dividend Yield (%)	2.4	1.9	2.3	2.8
<b>Turnover Days</b>				
Debtors days	43	52	52	52
Creditors days	38	44	45	45
<b>Gearing Ratio (x)</b>				
Total Debt to Equity	0.7	0.8	0.7	0.6

Source: Company, Sushil Finance Research Estimates

## Rating Scale

This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of six rating categories, with a corresponding risk rating.

### Risk Rating

Risk Description	Predictability of Earnings / Dividends; Price Volatility
Low Risk	High predictability / Low volatility
Medium Risk	Moderate predictability / volatility
High Risk	Low predictability / High volatility

### Total Expected Return Matrix

Rating	Low Risk	Medium Risk	High Risk
Buy	Over 15 %	Over 20%	Over 25%
Accumulate	10 % to 15 %	15% to 20%	20% to 25%
Hold	0% to 10 %	0% to 15%	0% to 20%
Sell	Negative Returns	Negative Returns	Negative Returns
Neutral	Not Applicable	Not Applicable	Not Applicable
Not Rated	Not Applicable	Not Applicable	Not Applicable

#### Please Note

- Recommendations with “Neutral” Rating imply reversal of our earlier opinion (i.e. Book Profits / Losses).
- \*\* Indicates that the stock is illiquid With a view to combat the higher acquisition cost for illiquid stocks, we have enhanced our return criteria for such stocks by five percentage points.
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