

# Nilkamal

# BUY

Good start!!!

## Summary

Nilkamal's (NILK) Q1FY19 results were largely in-line with our estimates. Revenue was up 17.3% YoY to Rs5.7bn, EBITDA was up by 26.6% to Rs549mn and PAT was up 37.1% at Rs307mn. Plastic segment registered volume and value growth of 13% and 21% respectively on a YoY basis. Retail segment registered a de-growth of 12% YoY mainly due to increased pre-GST sales in Q1FY18, whereas it remains flattish on QoQ basis. The company's mattresses business grew by 40.5% YoY to Rs164.7mn. We are almost keeping our TP unchanged at Rs2,057 (20x on FY20E EPS) from earlier Rs2,072. Maintain BUY.

## Key Highlights and Investment Rationale

### ■ Robust volume growth; higher RM prices making a dent

The company witnessed strong volume growth of 13% YoY (IDBIest 10%) and realization growth of 8% in Q1FY18. However, despite higher volume EBITDA margin was below expectation due to higher RM prices which impacted margin negatively by 136bps on a QoQ basis.

### ■ New stores and volume to drive growth

The company has incurred a capex of Rs235mn in Q1FY19 towards new plant and equipment which would help to increase the volume growth of the company. Also, a new retail store is opened at Indore and is likely to open few other stores in next two years which would give a good growth to the retail segment. We expect its revenue/EBITDA/PAT to see a CAGR of 13%/13%/15% during FY18-20E.

### ■ Keeping TP largely unchanged at Rs2,057; Maintain BUY

The stock is trading at a P/E multiple of 20x and 17.4x on FY19/20E. We largely maintain our estimates and keeping our target price largely unchanged at Rs2,057 from Rs2,072 which is based on 20x on FY20E EPS of Rs102.9. We expect the company to benefit from higher economic growth and rising per capita income. Maintain BUY.

<b>TP</b>	<b>Rs2,057</b>	
<b>CMP</b>	<b>Rs1,684</b>	
Potential upside / downside	+15%	
Previous Rating	BUY	
<b>V/s Consensus</b>		
<b>EPS (Rs)</b>	<b>FY19E</b>	<b>FY20E</b>
IDBI Capital	89.2	102.9
Consensus	89.2	102.9
% difference	-	-

## Shareholding Pattern (%)

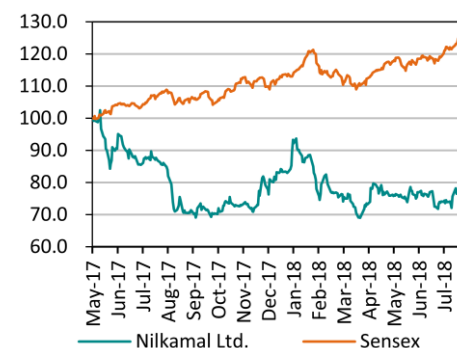
Promoters	64.1
FII	3.6
DII	12.4
Public	19.9

## Price Performance (%)

	<b>-1m</b>	<b>-3m</b>	<b>-12m</b>
Absolute	12.7	6.1	(3.7)
Rel to Sensex	7.3	0.4	(18.1)

<b>Key Stock Data</b>	
Bloomberg / Reuters	NILK IN / NKML.BO
Sector	Plastic Building Material
Shares o/s (mn)	15
Market cap. (Rs mn)	26,625
Market cap. (US\$ mn)	397
3-m daily average value (Rs mn)	1,672
52-week high / low	Rs2,096 / 1,491
Sensex / Nifty	37,556 / 11,361

## Relative to Sensex (%)



## Financial snapshot

Year	FY2016	FY2017	FY2018	FY2019E	FY2020E
Revenue	19,265	20,240	21,240	23,823	26,967
EBITDA	2,300	2,317	2,394	2,679	3,033
EBITDA (%)	11.9	11.4	11.3	11.2	11.2
Adj. PAT	1,066	1,192	1,172	1,331	1,535
EPS (Rs)	71.4	79.8	78.5	89.2	102.9
EPS Growth (%)	111.2	11.8	(1.7)	13.7	15.3
PE (x)	25.0	22.4	22.7	20.0	17.4
Dividend Yield (%)	0.4	0.4	0.5	0.5	0.6
EV/EBITDA (x)	11.8	11.6	11.3	9.5	8.2
RoE (%)	18.6	17.4	14.7	14.8	15.1
RoCE (%)	24.2	23.6	21.8	22.0	22.5

Source: Company; IDBI Capital Research

**Exhibit 1: Actual vs. estimates**

Year to March	Q1FY19	Q1FY19E	Variance (%)
Revenue (Rs mn)	5,718	5,343	7.0
EBITDA (Rs mn)	549	570	(3.7)
EBITDA margin (%)	9.6	11.0	(140bps)
PAT (Rs mn)	307	322	(4.6)
EPS (Rs)	20.6	21.6	(4.5)

Source: Company; IDBI Capital Research

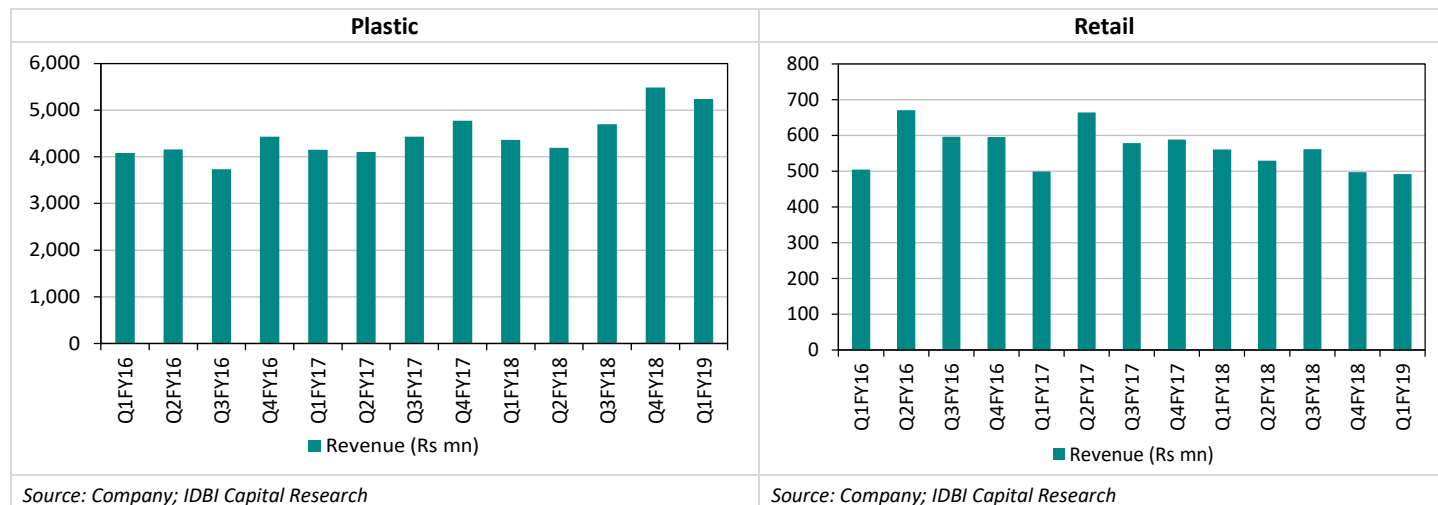
**Exhibit 2: Financial snapshot (Standalone)**

, (Rs mn)

Year-end: March	Q1FY19	Q1FY18	% Chg YoY	Q4FY18	QoQ (%)
<b>Revenues</b>	<b>5,718</b>	<b>4,876</b>	<b>17.3</b>	<b>5,961</b>	<b>(4.1)</b>
Expenditure	5,169	4,442	16.4	5,307	(2.6)
<b>EBITDA</b>	<b>549</b>	<b>434</b>	<b>26.6</b>	<b>653</b>	<b>(16.0)</b>
Depreciation	121	118	2.7	112	7.6
Interest	32	26	24.7	34	(5.6)
Other income	18	43	(57.0)	19	(5.5)
<b>PBT</b>	<b>414</b>	<b>333</b>	<b>24.5</b>	<b>526</b>	<b>(21.3)</b>
Tax	107	109	(1.7)	188	(43.1)
Tax rate (%)	25.8	32.7	(686) bps	34.0	(818) bps
Reported PAT	307	224	37.1	338	(9.2)
<b>Adjusted PAT</b>	<b>307</b>	<b>224</b>	<b>37.1</b>	<b>338</b>	<b>(9.2)</b>
<b>Adjusted EPS</b>	<b>21</b>	<b>15</b>	<b>37.1</b>	<b>23</b>	<b>(9.2)</b>
<b>Margins (%)</b>					
EBITDA (%)	9.6	8.9	71 bps	11.0	(136) bps
Adj. PAT (%)	5.4	4.6	78 bps	5.7	(30) bps

Source: Company; IDBI Capital Research

**Exhibit 3: Division wise - Quarterly Revenue Performance (Standalone)**



## Financial Summary

### Profit & Loss Account

(Rs mn)

Year-end: March	FY17	FY18	FY19E	FY20E
<b>Net sales</b>	<b>20,240</b>	<b>21,240</b>	<b>23,823</b>	<b>26,967</b>
<i>Growth (%)</i>	5.1	4.9	12.2	13.2
Operating expenses	(17,923)	(18,846)	(21,143)	(23,934)
<b>EBITDA</b>	<b>2,317</b>	<b>2,394</b>	<b>2,679</b>	<b>3,033</b>
<i>Growth (%)</i>	0.7	3.3	11.9	13.2
Depreciation	(505)	(505)	(535)	(574)
<b>EBIT</b>	<b>1,812</b>	<b>1,890</b>	<b>2,145</b>	<b>2,459</b>
Interest paid	(117)	(125)	(131)	(138)
Other income	33	37	48	54
<b>Pre-tax profit</b>	<b>1,728</b>	<b>1,801</b>	<b>2,061</b>	<b>2,376</b>
Tax	(536)	(630)	(721)	(830)
<i>Effective tax rate (%)</i>	31.0	35.0	35.0	35.0
<i>Minority Interest</i>	-	-	(9.4)	(10.3)
<b>Net profit</b>	<b>1,192</b>	<b>1,172</b>	<b>1,331</b>	<b>1,535</b>
<b>Adjusted net profit</b>	<b>1,192</b>	<b>1,172</b>	<b>1,331</b>	<b>1,535</b>
<i>Growth (%)</i>	11.8	(1.7)	13.7	15.3
<i>Shares o/s (mn nos)</i>	15	15	15	15

### Cash Flow Statement

(Rs mn)

Year-end: March	FY17	FY18	FY19E	FY20E
Pre-tax profit	1,728	1,801	2,061	2,376
Depreciation	505	505	535	574
Tax paid	(536)	(630)	(721)	(830)
Chg in working capital	(681)	(520)	178	(725)
Other operating activities	(17)	(375)	393	-
<b>Cash flow from operations (a)</b>	<b>998</b>	<b>781</b>	<b>2,447</b>	<b>1,394</b>
Capital expenditure	(607)	(637)	(715)	(809)
Chg in investments	-	-	-	-
Other investing activities	-	-	-	-
<b>Cash flow from investing (b)</b>	<b>(607)</b>	<b>(637)</b>	<b>(715)</b>	<b>(809)</b>
Equity raised/(repaid)	-	-	-	-
Debt raised/(repaid)	(350)	43	(59)	69
Dividend (incl. tax)	(119)	(124)	(133)	(153)
Chg in minorities	-	-	-	-
Other financing activities	-	-	-	-
<b>Cash flow from financing (c)</b>	<b>(469)</b>	<b>(81)</b>	<b>(193)</b>	<b>(84)</b>
<b>Net chg in cash (a+b+c)</b>	<b>(78)</b>	<b>63</b>	<b>1,539</b>	<b>500</b>

**Balance Sheet**

(Rs mn)

Year-end: March	FY17	FY18	FY19E	FY20E
Net fixed assets	3,027	3,528	3,222	3,457
Investments	3	3	3	3
<b>Current assets</b>	<b>7,893</b>	<b>8,943</b>	<b>9,862</b>	<b>11,431</b>
Inventories	3,360	3,794	3,645	4,126
Sundry Debtors	3,010	3,401	3,263	3,694
Cash and Bank	141	204	1,743	2,244
Marketable Securities	40	19	19	19
Loans and advances	1,342	1,525	1,191	1,348
<b>Total assets</b>	<b>10,923</b>	<b>12,474</b>	<b>13,087</b>	<b>14,891</b>
<b>Shareholders' funds</b>	<b>7,409</b>	<b>8,476</b>	<b>9,490</b>	<b>10,872</b>
Share capital	149	149	149	149
Reserves & surplus	7,270	8,337	9,351	10,732
<b>Total Debt</b>	<b>492</b>	<b>534</b>	<b>475</b>	<b>544</b>
Secured loans	492	534	475	544
Other liabilities	110	167	167	167
<b>Curr Liab &amp; prov</b>	<b>2,841</b>	<b>3,224</b>	<b>2,879</b>	<b>3,223</b>
Current liabilities	2,557	3,045	2,604	2,947
Provisions	283	179	276	276
<b>Total liabilities</b>	<b>3,442</b>	<b>3,926</b>	<b>3,522</b>	<b>3,935</b>
<b>Total equity &amp; liabilities</b>	<b>10,923</b>	<b>12,474</b>	<b>13,087</b>	<b>14,891</b>
<b>Book Value (Rs)</b>	<b>496</b>	<b>568</b>	<b>636</b>	<b>729</b>

Source: Company; IDBI Capital Research

**Financial Ratios**

Year-end: March	FY17	FY18	FY19E	FY20E
Adj. EPS (Rs)	79.8	78.5	89.2	102.9
Adj EPS growth (%)	11.8	(1.7)	13.7	15.3
EBITDA margin (%)	11.4	11.3	11.2	11.2
Pre-tax margin (%)	8.5	8.5	8.7	8.8
ROE (%)	17.4	14.7	14.8	15.1
ROCE (%)	23.6	21.8	22.0	22.5
<b>Turnover &amp; Leverage ratios (x)</b>				
Asset turnover (x)	1.9	1.8	1.9	1.9
Leverage factor (x)	1.5	1.5	1.4	1.4
Net margin (%)	5.9	5.5	5.6	5.7
Net Debt/Equity (x)	0.0	0.0	(0.1)	(0.2)
<b>Working Capital &amp; Liquidity ratio</b>				
Inventory days	61	65	56	56
Receivable days	54	58	50	50
Payable days	52	59	45	45

**Valuation**

Year-end: March	FY17	FY18	FY19E	FY20E
PER (x)	22.4	22.7	20.0	17.4
Price / Book value (x)	3.6	3.1	2.8	2.5
PCE (x)	15.7	15.9	14.3	12.6
EV / Net sales (x)	1.3	1.3	1.1	0.9
EV / EBITDA (x)	11.6	11.3	9.5	8.2
Dividend Yield (%)	0.4	0.5	0.5	0.6



# Notes

Dealing	(91-22) 6637 1150	dealing@idbicapital.com
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**BUY:** Absolute return of 15% and above; **ACCUMULATE:** 5% to 15%; **HOLD:** Upto  $\pm 5\%$ ; **REDUCE:** -5% to -15%; **SELL:** -15% and below.

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#### Equity Research Desk

3rd Floor, Mafatlal Centre, Nariman Point, Mumbai – 400 021. Phones: (91-22) 4322 1212; Fax: (91-22) 2285 0785; Email: info@idbicapital.com

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**Compliance Officer:** Christina D'souza; Email: compliance@idbicapital.com; Telephone: (91-22) 4322 1212

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