

TECHNO FUNDA

NILKAMAL LIMITED (NILKAMAL)

Date: 22/08/2017 | Reco. Price: 1575-1585 • Target: 1725-1775 • Stoploss: 1490 | Time Frame: 2 months

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NILKAMAL - Techno Funda

Technical Rationales

- On weekly charts, the stock is making a **higher high, higher low** formation, indicating uptrend.
- On weekly charts, the stock is on long-term trend line support while having support of 100 EMA.
- The stock has made a **bullish harami candlestick** pattern on weekly charts, signifying reversal.
- RSI is placed in the oversold zone from where it is likely to bounce back.
- Thus, we recommend to BUY NILKAMAL in the range of 1575-1585 with a stoploss of 1490 on closing basis for a target of 1725-1775.

Key Data

Reco Price (Rs)	1575-1585
Sector	Plastic Products
BSE Code	523385
NSE Code	NILKAMAL
Face Value (Rs)	10
Market Cap (Rs.Cr)	2380.81
52 Week high / Low	2274.85/1150.20

Source: BSE,NSE

Company background

Incorporated in 1985, Nilkamal Limited (Nilkamal) is a leading plastic products manufacturer with forte in plastic molded furniture. The company caters to various industries such as automobile, engineering, healthcare, lifestyle furnishings, material handling, and storage. Nilkamal offers a wide range of 450 products across all segments of home and office readymade furniture such as bedroom, living, dining, storage, office, school furniture, home décor, and accessories.

Investment Rationale

- Nilkamal Nilkamal operates through eight integrated manufacturing facilities based at West Bengal, Tamil Nadu, Jammu & Kashmir, Uttar Pradesh, Maharashtra, Pondicherry, and Silvassa. Moreover, the company is planning to set up new manufacturing units in the Western region to scale up its mattress segment. Company has presence in global markets of South East Asia, Middle East and Europe.
- Company has a pan-India presence with strong distribution network with nearly 980 channel partners and more than 15,000 dealers. The company has 15 "Nilkamal Home Ideas" stores in 2 and 3 tier cities and 33 DODOs stores which sell ready furniture products and mattress across various geographies. The strong network of 40+ depots and 300+ sales staff assisted by a robust "SCM" system links the multi-locational production facilities to deliver products efficiently. Retail segment operates through 17 large format stores "@home", 1 Go-to-Market (GTM) store, and 8 shop-in-shop stores (Shoppers Stop), spread across 14 cities. Company introduced 9 new models in the molded furniture segment during FY17 mainly in the premium range and plans to add 10 new products in the Monoblock and value-added segments such as plastic storage/non-Monoblock category during FY18.
- During FY17, the company earned consolidated revenue of Rs. 2106.86Cr, up 5% YoY backed by volume and value growth of 8% and 6% respectively. Cost efficient operations led to improved EBITDA of Rs. 229.32Cr with 10.9% margin. Net profit for the year was Rs. 118.45Cr with 5.6% margin. Total revenue from plastic business was Rs. 1873.35Cr while from .Retail business revenue was Rs. 232.94Cr with minor de-growth of 1.2% YoY as the company closed a few of loss making stores. For Q1FY18, total revenue was Rs. 524.3 Cr, up 5.8% YoY led by 5% increase in plastic segment and 12.4% increase in furniture business. EBITDA was Rs. 43.3Cr with 8.3% margin for the quarter. Net profit was Rs. 22.3 Cr with 4% margin impacted by destocking due to GST implementation. At the recommended price of Rs. 1585, Nilkamal's stock is trading at PE of 20x on FY17 EPS of Rs. 79.38. A market leader in the material handling and furniture segment, the company is reaching out to the global markets with a strong and diversified product range. We recommend a **BUY** rating on the stock.

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