

## Wim Plast

29 December 2016

Reuters: WIMP.BO; Bloomberg: WMP IN

### Best-In-Class Plastics Company

We recently interacted with Mr. Madhusudan Jangid, chief financial officer of Wim Plast (WPL) to understand its business model and growth strategy and also gauge the impact of demonetisation on the company's business.

**Air-cooler segment to drive growth:** WPL's legal battle with Symphony ended in its favour. Symphony, India's largest air-cooler company, had obtained a stay order from Gujarat High Court against WPL. The court had restrained WPL from marketing, selling, advertising, and dealing indirectly or directly in air-coolers which have the shape, configuration and design identical to and/or are imitation of the petitioner's (Symphony) models like Winter, Sumo, Diet and Hicool. However, in April 2016, Gujarat High Court ruled in favour of WPL and the company was allowed to freely sell and market its air-coolers. The management is seeing good traction in the air-cooler segment despite the segment being largely dominated by locally manufactured metal air-coolers (~80%) and Symphony in the organised segment (~20%). WPL sells more than 20 different products under various categories like desert coolers, mini desert, personal cooler and window coolers. WPL expects to add 14 more products in FY17. The air-cooler segment contributed ~Rs300mn to sales in FY16. The management believes that sales of the air-cooler segment can double (on a small base) by FY17 compared to air-cooler sales in FY16. 60% of total air-coolers are outsourced while the rest are manufactured at its plant in Bardi, Valsad. The initial capex for setting up a plant for air-coolers was Rs400mn. The management is exploring export markets for its air-coolers. WPL has more than 200 distributors for air-coolers. The ASP (average selling price) of its air-coolers is ~Rs4,200.

**Strong brand name in injection moulded plastic furniture:** WPL is one of the companies of the Cello group. Cello brand was inceptioned in 1974 under the leadership of Mr. G. D. Rathod. Since then, the group has diversified into new products and markets and become one of the largest manufacturers of branded products in India. WPL, being a group company, has naturally benefitted from the strong parentage. WPL pays 1% of its total sales as royalty to Cello. WPL is the third-largest player after Nilkamal and Supreme Industries, and currently holds a market share of ~14%-15% in the organised plastic moulded furniture industry. Around 55% of the industry is dominated by players in the unorganised segment. WPL has ~500 distributors and intends to expand its distributor network by 10% on YoY basis. WPL furniture is sold through 15,000 retail outlets. The company has a strong presence in western region with Rajasthan and Gujarat being key states. The management expects volume growth of ~10% with limited price hike.

**Healthy financials:** WPL's sales/EBITDA/PAT posted CAGR of 16%/20%/19%, respectively, over FY12-FY16. The company has industry best margin profile with operating margin of 21% in FY16. WPL is a debt-free company with net cash of Rs252mn. The company has not issued any equity capital since 2000, despite sales growth of ~5x over the period FY00 to FY16. WPL has a healthy free cash flow returning business generating ~Rs530mn despite capex of Rs1,000mn over FY12-FY16.

### NOT RATED

**Sector:** Plastics

**CMP:** Rs1,467

**Akhil Parekh**
**Research Analyst**

akhil.parekh@nirmalbang.com

+91-22-3926 8093

#### Key Data

Current Shares O/S (mn)	12.0
Mkt Cap (Rsbn/US\$mn)	17.6/258
52 Wk H / L (Rs)	1,660/776
Daily Vol. (3M NSE Avg.)	22,466

#### One-Year Indexed Stock



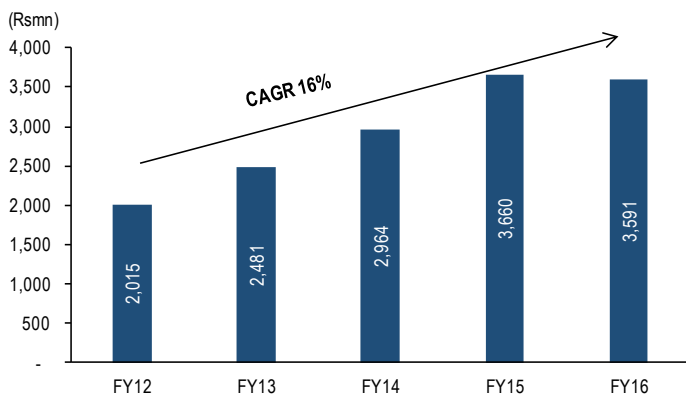
#### Price Performance (%)

	1 M	6 M	1 Yr
Wim Plast	0.7	45.9	45.6
Nifty Index	(1.3)	(2.1)	1.3

## Other key takeaways:

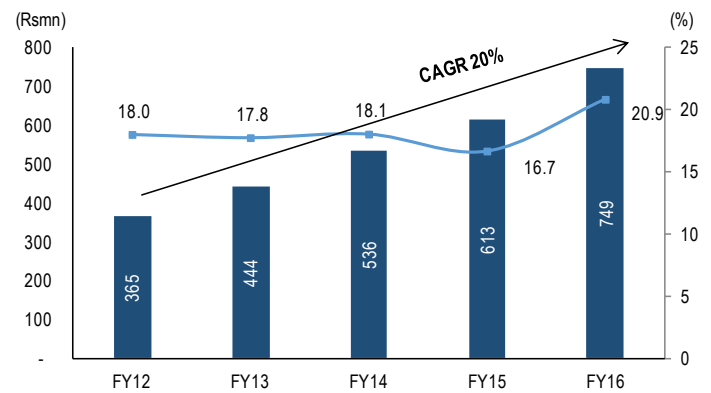
- WPL has seven plants with three in Daman (two for manufacturing furniture and one for float), and one each in Haridwar, Kolkata, Chennai (for making moulds for automobile companies) and Baddi.
- WPL has 4000tn capacity for a product called Bubble Guard at Baddi, Himachal Pradesh. Bubble guard is used in wall furnishing and in making storage boxes.
- WPL's plastic furniture business includes chairs, stools, trolleys and tables. Chair is its key product.
- Under its premium chair category, WPL sells gas injection-moulded chairs that sell at 3x the price of normal chairs. ASP for these premium chairs is ~Rs1,500 while ASP for WPL's chairs is ~Rs410
- WPL does not see any major impact of demonetisation currently. Most of its clients make payment through cheques or RTGS.
- Key raw material for plastic furniture is polypropylene, which WPL procures mainly from Reliance Industries while a small portion is acquired from Indian Oil Corporation and Haldia Petrochemicals.
- Some of the key reasons why WPL has been able to consistently clock high operating margin compared to its peers is lower other expenses, higher promotional activity, better technology, and high strength as well as better aesthetics of its products.
- Average advertising and promotion or A&P spending stands at ~Rs50mn-Rs70mn on an annual basis.
- Capex guidance for FY17 is Rs350mn, which includes Rs60mn-Rs80mn for maintenance purpose.
- The management believes that WPL will be a beneficiary of Goods and Services Tax or GST. Currently, WPL pays ~27% of indirect taxes (12% excise duty and 14.5% value added tax or VAT). With implementation of GST, WPL will most probably fall under the 12% or 18% tax slab. Although the tax benefit will be passed on to consumers, the management believes it will lead to higher volume for players in the organised segment.
- WPL has partnered with Amazon for its e-commerce business. Annual sales through the e-commerce channel stood at Rs60mn in FY16. The company is also in talks with Flipkart to increase its e-commerce bandwidth.
- 35% of total sales of WPL come from western region, 30% from northern region while the balance 35% comes from southern and eastern regions. WPL has a weak presence in eastern region.

**Exhibit 1: Net sales**

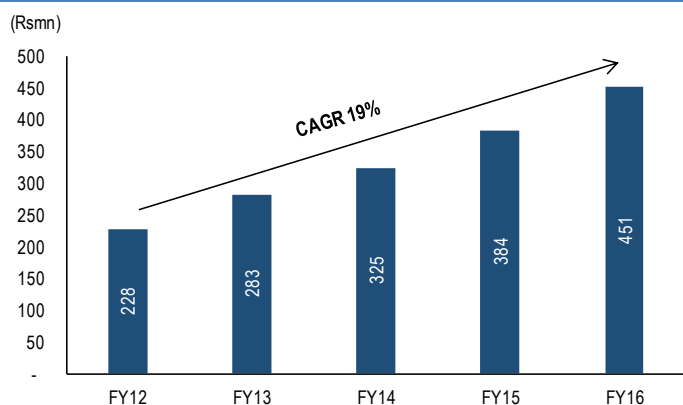


Source: Company, Nirmal Bang Institutional Equities Research

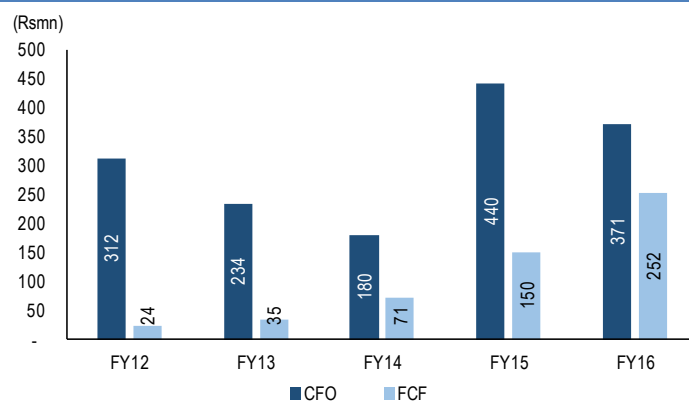
**Exhibit 2: EBITDA**



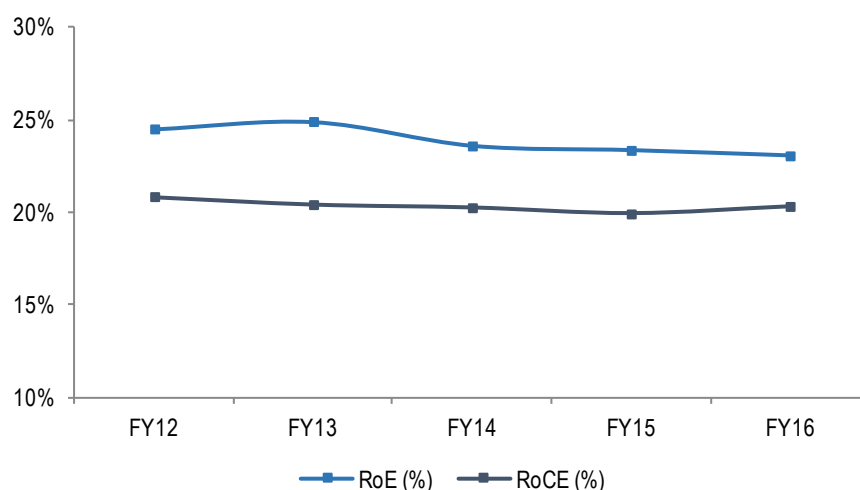
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 3: Net Profit**


Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 4: CFO and FCF**


Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 5: RoE and RoCE**


Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 6: Competitor Analysis**

Companies	GM (%)	EBITDAM (%)	EBITM (%)	PATM (%)	P/E (x)
Wim Plast	46.6%	22.6%	19.2%	13.5%	35.5
Nilkamal	42.5%	12.0%	9.3%	5.7%	16.4
Prima Plastics	41.4%	15.7%	13.0%	9.5%	17.9
Supreme Industries	33.9%	15.5%	12.0%	7.4%	38.1
Astral Poly	31.1%	11.8%	9.4%	6.1%	40.8

Note: \*Data is for last 12 months, except for Supreme Industries for which data is for last FY

P/E is of trailing 12 months

Source: Company, Nirmal Bang Institutional Equities Research

## Financial statement

### Exhibit 7: Income statement

Y/E March (Rsmn)	FY12	FY13	FY14	FY15	FY16
<b>Net Sales (incl. OOI)</b>	<b>2,015</b>	<b>2,481</b>	<b>2,964</b>	<b>3,660</b>	<b>3,591</b>
% growth	27.5	23.1	19.5	23.5	-1.9
Other income	12	16	3	14	15
<b>Total Income</b>	<b>2,027</b>	<b>2,497</b>	<b>2,967</b>	<b>3,674</b>	<b>3,606</b>
Raw Material	1,366	1,665	1,963	2,425	2,029
Staff	59	81	101	123	158
Other expenses	225	291	364	499	654
Total Expenditure	1,649	2,037	2,428	3,047	2,842
<b>EBITDA</b>	<b>365</b>	<b>444</b>	<b>536</b>	<b>613</b>	<b>749</b>
% growth	18.9	21.5	20.7	14.5	22.1
<b>EBITDA margin (%)</b>	<b>18.0</b>	<b>17.8</b>	<b>18.1</b>	<b>16.7</b>	<b>20.9</b>
Depreciation	56	73	90	90	112
<b>EBIT</b>	<b>310</b>	<b>370</b>	<b>446</b>	<b>523</b>	<b>637</b>
<b>EBIT margin (%)</b>	<b>15.4</b>	<b>14.9</b>	<b>15.0</b>	<b>14.3</b>	<b>17.7</b>
Interest	2	1	2	1	2
<b>Profit Before Tax</b>	<b>320</b>	<b>386</b>	<b>447</b>	<b>536</b>	<b>650</b>
% growth	22.1	20.5	15.9	19.8	21.4
Tax	93	103	122	152	199
<b>Effective tax rate (%)</b>	<b>28.9</b>	<b>26.8</b>	<b>27.3</b>	<b>28.4</b>	<b>30.6</b>
<b>Net Profit</b>	<b>228</b>	<b>283</b>	<b>325</b>	<b>384</b>	<b>451</b>
% growth	24.7	24.2	15.1	18.0	17.7
<b>EPS (Rs)</b>	<b>37.9</b>	<b>47.1</b>	<b>54.2</b>	<b>63.9</b>	<b>75.2</b>
% growth	24.6	24.2	15.1	18.0	17.7
DPS (Rs)	6.0	8.0	9.0	10.0	12.0
Payout (%)	16%	17%	17%	16%	16%

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 9: Balance sheet

Y/E March (Rsmn)	FY12	FY13	FY14	FY15	FY16
Share Capital	60	60	60	60	60
Reserves and Surplus	961	1,187	1,449	1,716	2,080
<b>Shareholder's Funds</b>	<b>1,021</b>	<b>1,247</b>	<b>1,509</b>	<b>1,776</b>	<b>2,140</b>
<b>Non Current Liabilities</b>					
Deferred tax liabilities (Net)	48	55	57	53	59
Other long term liabilities	1	1	1	1	1
Long-term Provisions	1	1	2	2	3
<b>Current Liabilities</b>					
Trade payables	36	75	137	93	146
Other current liabilities	44	81	84	121	125
Short term provisions	45	60	69	83	16
<b>Total Liabilities</b>	<b>1,196</b>	<b>1,521</b>	<b>1,860</b>	<b>2,129</b>	<b>2,490</b>
<b>Non Current Assets</b>					
Fixed Assets (Tangible)	579	707	728	864	870
Long term loans and advances	11	17	27	24	44
<b>Current Assets</b>					
Inventories	300	391	642	515	695
Trade receivables	209	268	293	406	480
Cash and carry equivalents	18	27	48	144	252
Short term loans and advances	78	112	123	177	148
<b>Total Assets</b>	<b>1,196</b>	<b>1,521</b>	<b>1,860</b>	<b>2,129</b>	<b>2,490</b>

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 8: Cash flow

Y/E March (Rsmn)	FY12	FY13	FY14	FY15	FY16
EBT	320	386	447	536	650
Depreciation	56	73	90	90	112
Other Income	(12)	(15)	(2)	(9)	(13)
Interest cost	2	1	2	1	2
Foreign exchange gain	-	-	(0)	1	(0)
Provisions	3	(1)	0	0	4
(Profit)/Loss on sale of fixed assets	-	(1)	(1)	(2)	(2)
Operating Profit before WC	369	443	536	617	753
Change in Working Capital	36	(111)	(236)	(42)	(192)
Cash from Operations	404	332	301	575	562
Taxes	(91)	(96)	(118)	(136)	(189)
Interest cost	(2)	(1)	(2)	1	(2)
<b>Net cash from Operations</b>	<b>312</b>	<b>234</b>	<b>180</b>	<b>440</b>	<b>371</b>
Capex	(288)	(200)	(110)	(290)	(119)
Other Income	12	14	2	9	13
Proceeds from sales of fixed assets	-	1	4	4	3
<b>Net cash from investing</b>	<b>(276)</b>	<b>(184)</b>	<b>(104)</b>	<b>(277)</b>	<b>(103)</b>
Dividends Paid	(27)	(36)	(48)	(54)	(132)
Dividend Tax	(4)	(6)	(8)	(9)	(27)
<b>Net cash from financing</b>	<b>(31)</b>	<b>(42)</b>	<b>(56)</b>	<b>(63)</b>	<b>(159)</b>
Net Increase/(Decrease) in cash	5	8	21	96	109
Opening cash and cash equivalents	14	18	27	48	144
Closing cash and cash equivalents	18	27	48	144	252

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 10: Key ratios

Y/E March	FY12	FY13	FY14	FY15	FY16
<b>Profitability &amp; Return ratios</b>					
EBITDA margin (%)	18.0	17.8	18.1	16.7	20.9
EBIT margin (%)	15.4	14.9	15.0	14.3	17.7
Net profit margin (%)	11.2	11.3	11.0	10.4	12.5
RoE (%)	24.5	24.9	23.6	23.4	23.1
RoCE (%)	20.9	20.4	20.3	19.9	20.3
<b>Working capital &amp; Liquidity ratios</b>					
Receivables (days)	34.4	35.0	34.5	34.8	45.2
Inventory (days)	67.8	68.6	87.1	86.6	108.3
Payables (days)	6.3	10.6	16.1	18.2	19.7
WC days	95.9	93.1	105.5	103.2	133.8
Current ratio (x)	4.8	3.7	3.8	4.2	5.5
Quick ratio (x)	1.8	1.4	1.2	1.8	2.6
<b>Valuation ratios</b>					
EV/Sales (x)	8.4	6.8	5.7	4.6	4.7
EV/EBITDA (x)	46.4	38.2	31.7	27.7	22.7
P/E(x)	77.4	62.3	54.2	45.9	39.0
P/B(x)	34.5	28.2	23.3	19.8	16.5
<b>Growth (%)</b>					
Sales	28.3	23.2	18.8	23.8	-1.8
EBITDA	24.8	21.5	20.7	14.5	22.1
PAT	24.7	24.2	15.1	18.0	17.7

Source: Company, Nirmal Bang Institutional Equities Research

## Disclaimer

### Stock Ratings Absolute Returns

BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

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Team Details:			
Name		Email Id	Direct Line
Rahul Arora	CEO	rahul.arora@nirmalbang.com	-
Girish Pai	Head of Research	girish.pai@nirmalbang.com	+91 22 3926 8017 / 18
Dealing			
Ravi Jagtiani	Dealing Desk	ravi.jagtiani@nirmalbang.com	+91 22 3926 8230, +91 22 6636 8833
Pradeep Kasat	Dealing Desk	pradeep.kasat@nirmalbang.com	+91 22 3926 8100/8101, +91 22 6636 8831
Michael Pillai	Dealing Desk	michael.pillai@nirmalbang.com	+91 22 3926 8102/8103, +91 22 6636 8830
Umesh Bharadia	Dealing Desk	umesh.bharadia@nirmalbang.com	+91-22-39268226

## Nirmal Bang Equities Pvt. Ltd.

### Correspondence Address

B-2, 301/302, Marathon Innova,  
 Nr. Peninsula Corporate Park,  
 Lower Parel (W), Mumbai-400013.  
 Board No. : 91 22 3926 8000/1; Fax. : 022 3926 8010