



Corporate Review of 1998-99
for Shareowners



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What *we* are

Nilkamal Plastics Limited is one of the fastest growing companies in the moulded plastics industry in India. The company enjoys a national leadership position in both its product lines - crates and furniture. As *demand* for these products has exploded over the last few years,

Nilkamal has successfully leveraged the opportunity by growing its capacity faster than the industry average. This has been combined with a track record for quality products and the launch of *innovative* designs at quick intervals to suit customer preference. The result : Nilkamal has stood out from the competitive clutter of the market place.

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Nilkamal Plastics has four manufacturing units spread over Sinnar, Silvassa, Pondicherry and Noida. The fifth and sixth are expected to be commissioned in Vasona (Silvassa, Dadra & Nagar Haveli) and West Bengal in the year 2000. The company has a 76 per cent stake in a similar manufacturing company in Sri Lanka, providing Nilkamal a platform for accessing the market in that country. The company's operations in India are supported by a marketing *network* of more than 200 distributors and 3500 retailers.

Nilkamal Plastics is listed on the National and Bombay Stock Exchanges. The company's market capitalisation as on 31 March 1999 was Rs 70.78 cr. Nearly 54 per cent of the company's equity is held by the promoters, while 42 per cent is held by the public.



VALUE

for the company ...

Nineteen ninety
eight-ninety nine
was the best year
we had at
Nilkamal. We sold
more than ever
before. We
managed our
costs better.
Result : the profits
were the highest
in the history of
the company.

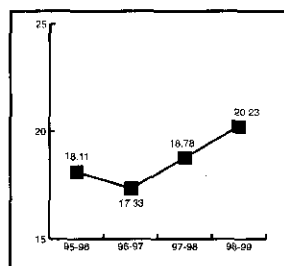
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Pre-int profit / Total turnover (per cent)

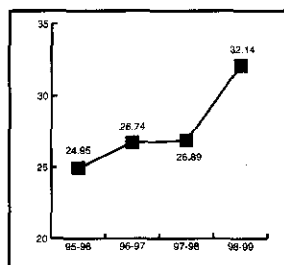
PBIDT is the measure of profits before charging interest, depreciation and tax. PBIDT is also a reflection of improved cost efficiencies and economies of scale. For Nilkamal, which is aggressively expanding capacities, the PBIDT as a percentage of the turnover is an important tool to measure operational strength.



The PBIDT ratio has improved each year in the past three years. Since 1996-97, the ratio has grown from 17.33 per cent to 20.23 per cent in 1998-99.

Return on capital employed (per cent)

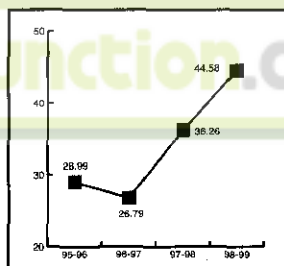
ROCE is a reflection of the efficiency of capital deployed in a business. It indicates whether a company is creating or destroying wealth-and is considered by many to be the ultimate health indicator of a company.



The Nilkamal ROCE has been improving for the past four years starting 1995-96. This indicates that the use of capital has been improving - from 24.95 per cent in 1995-96 to 32.14 per cent in 1998-99.

Return on net worth (per cent)

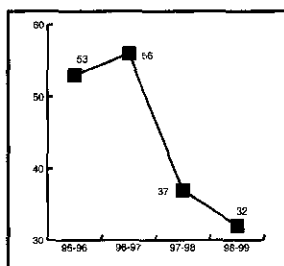
RONW is the return on shareholder's capital (sum of share capital and reserves). Along with the ROCE, the RONW is a key indicator. The non-dilution of equity is one of the key factors for the resultant growth in the RONW.



The shareowners have clearly been gaining with the RONW growing consistently from 26.79 per cent in 1996-97 to 44.58 per cent in 1998-99.

Inventory days

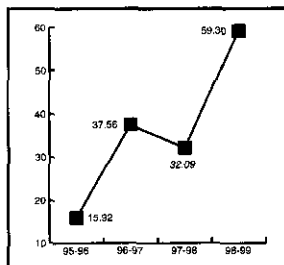
Inventory represents monies locked in unfinished and finished goods. In a competitive business environment, keeping inventory low is a prudent measure. This frees cash for other business requirements and lowers interest arising from additional working capital deployed in the business.



Inventory days has fallen from 1995-96 (barring a temporary spike in 1996-97). From 53 days to 32 days, an improvement of 40 per cent.

Growth in PBIDT (per cent)

More than the number, it is often the direction of the ratio which is crucial. The growth in PBIDT reflects the momentum of growth over the previous years. This indicates that a company is on a high growth path - incremental capacities combined with improved cost and overhead recovery are expected to keep the index growing.



Growth was 59.30 per cent in 1998-99 (over the previous year).

330 *per cent*
increase in Total
Shareholder
Return, 1998-99

We are delighted that
our growth was not
restricted only to the
balance sheet and
the profit and loss
account.

...is **VALUE**
for the shareholder !

Our business
achievement
translated into a
stronger value
reflected in some of
the contemporary
indicators used by
analysts to estimate
shareholder value



10.68 *(Rs. / cr)*
Nilkamal's EVA for 1998-99

Total Shareholder Return

Since dividends and the expansion in market capitalisation are the two principal ways in which shareholder value can be enriched, TSR takes into account the sum of these two features. The increase in market capitalisation is added to the dividend paid by the company during a financial year. This sum is then expressed as a percentage of the market capitalisation of the company at the start of the financial year under review.

Year	Rs cr		
	1996-97	1997-98	1998-99
Closing capital value	20.14	18.08	70.78
Less : Opening capital value	25.45	18.64	17.23
Add : Dividend	1.89	2.06	3.43
Incremental gain	- 3.42	1.50	56.98
Incremental gain / Beginning capital value %	- 13.44	8.04	330.70

Economic Value Added

EVA is the profit realised after deducting the cost of all capital employed. EVA is the amount by which a company's pre-interest but after tax net operating income (or NOPAT) exceeds the charge for total capital.

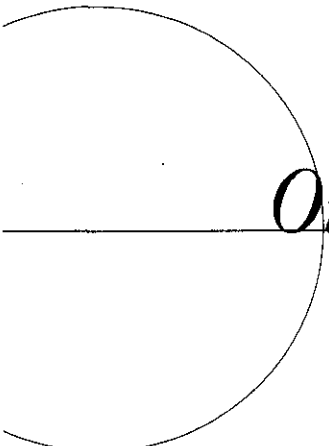
As Robert Goizueta, Coca-Cola's CEO once told Fortune magazine about EVA in what has become a famous line, 'You only get richer if you invest money at a higher return than the cost of that money to you. Everybody knows that, but many seem to forget it'.

Nilkamal registered an EVA of Rs 10.68 cr in 1998-99. This indicates that the company was able to meet the expectations of its shareholders. This is an impressive performance given the fact that Nilkamal operates in an industry which is dominated by price cuts and an apparent lack of branding.

Creating value for the shareholder is not an overnight thing. It is a long-term objective. Our goal is to keep enhancing this value - over a changing mix of products, over various markets and changing business cycles. We believe that a sustainably enhancing value for our shareowners will come from a sound competitive strategy, improving profits, a fair distribution policy and corporate transparency that reinforces investor confidence.

Economic Value Added (EVA)

	In Rupees			
	1995-96	1996-97	1997-98	1998-99
<i>Cost of capital employed</i>				
1. Average Debt	302,688,547	361,720,759	496,086,125	653,522,673
2. Average Equity	193,066,600	273,522,798	352,750,517	497,862,902
3. Average Capital employed : (1+2)	495,755,147	635,243,557	848,836,642	1,151,385,575
4. Cost of Debt, Post-tax %	8.62	9.95	8.82	9.75
5. Cost of Equity %	22.50	22.50	22.50	22.50
6. Weighted Average Cost of capital % (WACC)	14.03	15.35	14.50	15.26
7. COCE : (3) x (6)	69,531,738	97,533,845	123,123,663	175,737,614
8. Profit after tax, before exceptional items	55,970,197	73,278,053	127,936,458	221,930,951
9. Add : Interest after taxes	25,303,402	37,046,624	41,327,603	60,632,593
10. Net Operating profits After taxes (NOPAT)	81,273,599	110,324,677	169,264,061	282,563,544
11. COCE, as per (7) above	69,531,738	97,533,845	123,123,663	175,737,614
12. EVA : (10) - (11)	11,741,861	12,790,832	46,140,399	106,825,930
13. EVA % Capital Employed : (12) divided by (3)	2.37	2.01	5.44	9.28



Our **VALUE**

*philosophy comes
from deep within ...*

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Our **VISION**

The vision of Nilkamal
Plastics is to firmly
establish industry
leadership in its
markets by offering the
best value for money to
its customers and
consumers.

Our MISSION

We are confident of achieving market leadership through progressive initiatives directed towards our customers, consumers and suppliers

Our customer Value initiatives

- Work as business associates with integrity and ethical practices
- Invest aggressively in new designs, products and capacity
- Respond with sensitivity to their changing requirements
- Tie their growth into the financial growth of the company

Our consumer Value initiatives

- Closely understand their changing preferences
 - Directing solutions and conveniences towards the changing preferences
 - Increasing the value delivered to consumers
- Manufacturing products of high quality which emerge as the industry benchmark
- Improving lifestyles and enhancing the standard of living

Our shareholder Value goals

Nilkamal Plastics is committed to maximising the long-term shareholder value through superior performance and returns.

Our Supplier Value initiatives

- Closely interact with machine and moulds suppliers to strengthen the technology for a higher throughput.
- Closely interact with raw material suppliers for supplies that correspond to exacting requirements that enhance end product quality at reduced cost.

Our Society Value initiatives

- To contribute to the society through direct support and indirectly through safe environmental practices in tandem with our business growth.

'Customers' refers to dealers and distributors. 'Consumers' refers to those who eventually buy our products

How we expect to deliver

VALUE

over the long-term

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