



Presents

Kurl -on Enterprise Limited

Company's Overview

1. It was incorporated in the year 1962 as a Karnataka Consumer Products Limited.
2. Later on in 1995 the name changed to Kurl-On Limited.
3. The core business of the company is manufacturing rubberised coir, foam and spring mattresses, foam products and home furnishings.
4. The Group has manufacturing facilities for
 - a) Rubberised coir in **Yeswanthpur** (Bangalore), **Bhubaneswar** and **Gwalior**.
 - b) Polyurethane foam-manufacturing facility at **Dabaspur** (Karnataka), **Roorkee** (Uttarakhand) and **Jhagadia** (Gujarat).
 - c) Spring manufacturing facility at **Peenya** (Bangalore), **Jhagadia** (Gujarat) and **Bhubaneswar**.
5. Kurl-on Limited is the largest selling mattress maker & the only industry players who have a direct presence across over 150 Cities servicing large network of over 7500 retailers.

Subsidiary

In the year 2011, the Kurl-On Limited has transferred all the Asset to Kurl-On Enterprise by entering a business agreement and under the agreement.

1. The Kurl-On Limited will hold 99.99% Shares of Kurl-On Enterprise Limited.
2. Land and Building were kept with Kurl-On Limited except Gwalior Plant which is also to be transferred to Kurl-On Enterprise Limited in FY19.

All the Plants and Machinery were transferred to KEL. Consequent upon the Business Transfer Agreement between KL and its subsidiary(KEL) , the business of **Rubberized Coir, Latex Foam, Polyurethane Foam, Pillows, Spring Mattresses, Furniture, Furnishing, sofa, and entire home comforts and related products** were transferred to the subsidiary company(KEL).

3. The KEL will act as subsidiary of KL.
4. The major source of revenue for KL would be **dividend** Income and **renting** of Land and Building to KEL after Gwalior Plant Transfer.
5. The core business of the company will be carried out by KEL.

UZ Advice Note:

1. In Unlisted Market, shares of both Kurl-On Limited and Kurl-On Enterprise are available for sale.
2. The price difference between KL and KEL is almost 50% and we have seen there is confusion among investors among the two while buying.
3. We at **UnlistedZone** recommend to buy KEL as this company is having the core business and KL is simply a holding company earning Dividend income from KEL and Leasing income from Land and Building.
4. The Holding company is always available at 60-70% discount in Unlisted market and because of which price difference between both exits.

Financial of the Kurl-On Enterprise Limited

Year	Rev.(Cr)	EBITDA	PAT(Cr)	Share Capital(Cr)	FV	No. of Shares	EPS
2016	893.63	86.53	36.86	20.63829787	10	2.06	17.86
2017	1034.14	106.84	60.79	11.23659889	5	2.24	27.05
2018	1105.7	149.93	83.93	13.88190539	5	2.77	30.23

NOTE:

1. KEL has sub-divided equity shares of 10/- each into 2 (Two) equity shares of 5/- each fully in its Extra Ordinary General Meeting held on 23.02.2017.
2. KEL has issued 53,09,120 bonus shares on 04.12.2017. So paid-up capital has increased from ~2.24 Cr to ~2.77 Cr in FY18.
3. The EPS for the Year 2017-18 stands at 30.23.
4. KEL has again issued 85,95,013 bonus shares with record date on 03.10.2018. After, Issuing of Bonus Shares the total shares outstanding would be 3,63,82,413.

UZ Financial Review

1. The KEL has shown an excellent growth of **11.24%** in the last 3 years.
2. The KEL has shown an excellent growth of **31.63%** in EBITDA in the last 3 years.
3. The long term Debt is **NIL** and Short Term Debt is **15 Cr** as on 31.03.2018.
4. The KEL has a **EBITDA margins** of 13% in FY18.
5. The EPS of FY18 stands at 30.23.

Valuation of the Company

The KEL can be compared with Sheela Foam which is a listed company to come up with a valuation.

1. Sheela Foam

- a) **Revenue**(FY-18)= 1681 Cr.
- b) **Revenue Growth of last 3 years** = 14.33%.
- c) **EBITDA** = 218 Cr
- d) **EBITDA Margins** = 13%
- e) **PAT(FY-18)**= 125 Cr
- f) **EPS(FY-18)** = 25.82
- g) **P/E** = 48 at CMP of 1258.
- h) **Mcap**= 6127 Cr

2. Kurl-On Enterprise Limited

- a) **Revenue**(FY-18)= 1100 Cr
- b) **Revenue Growth in last 3 years** = 11.25%
- c) **EBITDA** = 150 Cr
- d) **EBITDA Margin**= 13.63%
- e) **PAT**(FY-18) = 83 Cr
- f) **EPS** = 30.23

The management is expecting a Revenue of 1350 Cr in FY18-19, on that basis the PAT would be close to 100 Cr and EPS would be 27.

If we give P/E of 40 to KEL, the price based on FY18-19 earnings should come around 1100.

As per **UnlistedZone** Estimates , the Valuation of Kurl-On Enterprise would be between 3500-4000 Cr.

However, management feels that being the Industry leader they will get richer valuation than Sheela Foam and they are expecting a valuation of 10000 Cr. If that happens ready for some blockbuster gain of being a shareholder in Kurl-ON Enterprise.

PE Investors in Kurl-ON Enterprise Limited

Motilal Oswal PE (MOPE) invested Rs 90 crore or \$13.5 million in Kurlon valuing it at around Rs 1,000 crore in September 2015.