

Nilkamal

HOLD

Subdued quarterly performance marred by weak demand

Summary

Nilkamal Ltd.'s (NILK) Q4FY24 result was below our estimates on all key parameters. After a subdued 9MFY24, the company's Q4 too disappointed us on key operational metrics. The management attributed degrowth in earnings to overall weak demand in plastic furniture segment. Further, @ Home's performance was suppressed too, weighing on overall performance. Net sales was marginally higher by 0.6% YoY to Rs8.3bn, while EBITDA declined by 16.1% YoY to Rs815mn. The company reported net profit of Rs356mn, lower by 26.3% YoY. We have cut our net sales/PAT estimates by 3.9%/4.1% and 7.7%/7.1% over FY25E/FY26E respectively. Maintain HOLD rating on the stock with a revised TP of Rs2,116 (earlier TP Rs2,412), assigning 17x PER on FY26E.

Key Highlights and Investment Rationale

- **Degrowth in retail business continued:** NILK's plastic division reported 0.6% YoY growth in net sales at Rs7,930mn, while @Home reported 7.6% YoY decline in sales to Rs419mn. We believe muted demand, increased competitive intensity and volatile raw material prices are weighing on value growth of the growth, particularly in plastic segment. However, the company is witnessing a positive traction in its racking business and is hopeful to have growth momentum hereafter. The management guided that focus will remain on branding in order to strengthen Nilkamal as a brand.
- **Demand revival to be watched, HOLD with a TP of Rs2,116:** NILK's subdued FY24 performance was majorly led by suppressed demand. However, we believe with thrust on creating it a stronger brand, healthy earnings revival can be expected, as demand shows uptick. Further, capacity addition, increasing share of value added products and expansion of retail business bodes well for earnings revival in near term. HOLD with a TP of Rs2,116.

TP Rs2,116

CMP Rs1,872

Potential upside/downside 13%

Previous Rating HOLD

Price Performance (%)

	-1m	-3m	-12m
Absolute	(6.6)	(6.1)	(7.7)
Rel to Sensex	(4.9)	(7.7)	(25.4)

V/s Consensus

EPS (Rs)	FY25E	FY26E
IDBI Capital	100.9	124.5
Consensus	109.4	134.0
% difference	(7.8)	(7.1)

Key Stock Data

Bloomberg / Reuters NILK IN / NKML.BO

Sector Plastic Building Material

Shares o/s (mn) 15

Market cap. (Rs mn) 27,928

3-m daily avg Trd value (Rs mn) 1.9

52-week high / low Rs2,800 / 1,700

Sensex / Nifty 72,987 / 22,201

Shareholding Pattern (%)

Promoters	64.5
FII	1.1
DII	18.9
Public	15.5

Financial snapshot

(Rs mn)

Year	FY22	FY23	FY24	FY25E	FY26E
Revenue	27,301	31,309	31,963	36,214	39,415
Change (yoy, %)	30	15	2	13	9
EBITDA	2,213	3,082	2,904	3,920	4,603
Change (yoy, %)	(13)	39	(6)	35	17
EBITDA Margin (%)	8.1	9.8	9.1	10.8	11.7
Adj.PAT	720	1,185	1,038	1,506	1,857
EPS (Rs)	48	79	69.6	100.9	124.5
Change (yoy, %)	(34.5)	64.6	(12.4)	45.1	23.3
PE(x)	38.8	23.6	26.9	18.5	15.0
Dividend Yield (%)	0.8	1.1	1.1	1.2	1.3
EV/EBITDA (x)	13.1	9.6	10.2	7.6	6.4
RoE (%)	6.2	9.4	7.6	10.2	11.6
RoCE (%)	9.4	13.4	11.0	13.8	15.4

Source: IDBI Capital Research

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Exhibit 1: Financial snapshot

Particulars (mn)	Q4FY24	Q3FY24	QoQ (%)	Q4FY23	YoY (%)
Total revenues	8,342	8,035	3.8	8,289	0.6
Total expenditure	7,527	7,307	3.0	7,318	2.9
EBIDTA	815	728	11.9	971	(16.1)
<i>EBIDTA margin(%)</i>	<i>9.8</i>	<i>9.1</i>	<i>71bps</i>	<i>11.7</i>	<i>-195bps</i>
Depreciation	286	294	(2.5)	287	(0.1)
Interest cost	90	97	(7.6)	96	(6.8)
Other income	20	22	(7.0)	35	(42.2)
PBT	459	359	27.9	624	(26.4)
Tax	124	86	44.5	162	(23.4)
Minority interest and exceptional items	20	20	(0.2)	20	0.1
Adj. net profit	356	294	21.1	482	(26.3)
Adj. EPS (INR)	23.8	19.7	21.1	32.3	(26.3)

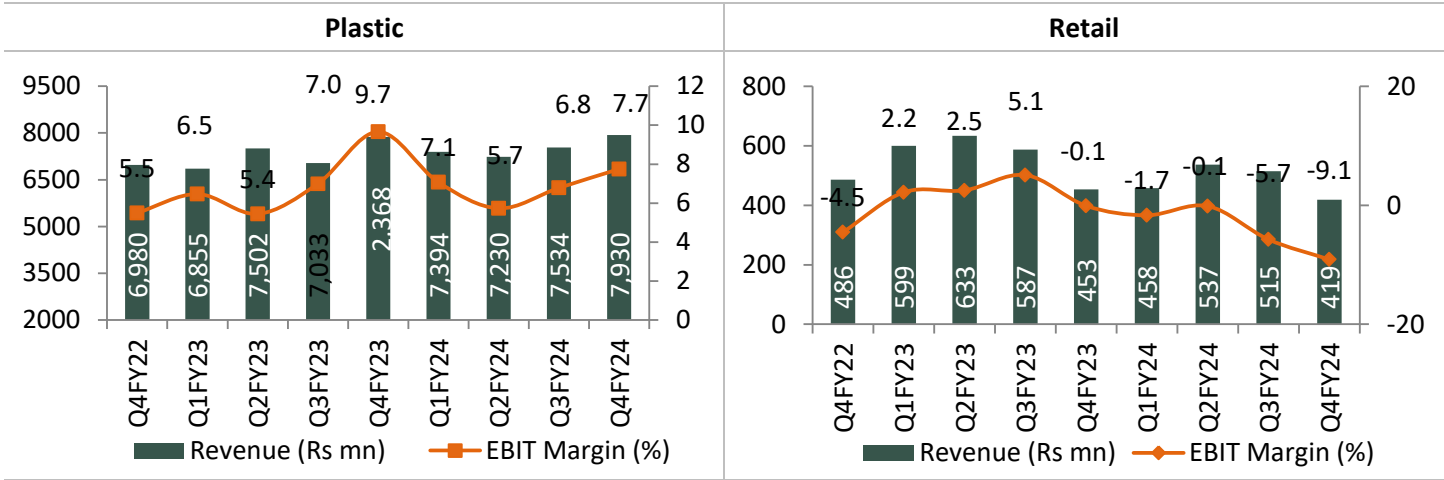
Source: Company; IDBI Capital Research

Exhibit 2: Actual vs. estimates

Particulars (mn)	Q4FY24A	Q4FY24E	Variance (%)
Net Sales	8,342	9,074	-8.1
EBITDA	815	865	-5.9
<i>EBITDA Margin (%)</i>	<i>9.8</i>	<i>9.5</i>	<i>23bps</i>
Net Profit	356	392	-9.2
EPS, Rs	23.8	26.3	-9.2

Source: Company; IDBI Capital Research

Exhibit 3: Division wise Revenue and EBIT margin performance



Source: Company; IDBI Capital Research

Source: Company; IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Net sales	20,922	27,301	31,309	31,963	36,214	39,415
<i>Change (yoy, %)</i>	<i>(7.3)</i>	<i>30</i>	<i>15</i>	<i>2</i>	<i>13</i>	<i>9</i>
Operating expenses	(18,390)	(25,088)	(28,227)	(29,059)	(32,293)	(34,812)
EBITDA	2,532	2,213	3,082	2,904	3,920	4,603
<i>Change (yoy, %)</i>	<i>-10.0</i>	<i>(13)</i>	<i>39</i>	<i>(6)</i>	<i>35</i>	<i>17</i>
<i>Margin (%)</i>	<i>12.1</i>	<i>8.1</i>	<i>9.8</i>	<i>9.1</i>	<i>10.8</i>	<i>11.7</i>
Depreciation	(972)	(1,010)	(1,134)	(1,154)	(1,516)	(1,696)
EBIT	1,560	1,203	1,948	1,750	2,404	2,907
Interest paid	(235)	(284)	(366)	(369)	(406)	(447)
Other income	160	119	110	133	140	147
Pre-tax profit	1,485	1,038	1,693	1,514	2,137	2,606
Tax	(370)	(261)	(430)	(382)	(538)	(656)
<i>Effective tax rate (%)</i>	<i>24.9</i>	<i>25.1</i>	<i>25.4</i>	<i>25.3</i>	<i>25.2</i>	<i>25.2</i>
Minority Interest	-	-	-	-	-	-
Net profit	1,132	834	1,340	1,224	1,692	2,043
Exceptional items	-	(0)	-	-	-	-
Adjusted net profit	1,099	720	1,185	1,038	1,506	1,857
<i>Change (yoy, %)</i>	<i>(15.4)</i>	<i>(34)</i>	<i>65</i>	<i>(12)</i>	<i>45</i>	<i>23</i>
EPS	73.6	48.3	79.4	69.6	100.9	124.5
Dividend per sh	10.0	15.0	20.0	20.0	22.0	24.0
<i>Dividend Payout %</i>	<i>16.3</i>	<i>37.3</i>	<i>30.2</i>	<i>34.5</i>	<i>26.2</i>	<i>23.1</i>

Balance Sheet

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Shareholders' funds	11,394	12,015	13,142	14,099	15,304	16,825
Share capital	149	149	149	149	149	149
Reserves & surplus	11,245	11,866	12,993	13,950	15,155	16,676
Total Debt	309	1,747	1,887	2,474	2,529	2,624
Other liabilities	127	122	153	159	212	278
Curr Liab & prov	5,398	5,642	5,564	5,466	5,857	6,307
Current liabilities	5,215	5,460	5,380	5,263	5,642	6,072
Provisions	183	182	184	203	216	235
Total liabilities	5,834	7,511	7,604	8,100	8,599	9,209
Total equity & liabilities	17,238	19,533	20,754	22,208	23,913	26,044
Net fixed assets	6,449	7,130	7,967	8,055	8,558	8,881
Investments	349	354	320	706	789	872
Other non-curr assets	342	713	597	1,099	1,191	1,303
Current assets	10,097	11,336	11,870	12,349	13,376	14,987
Inventories	4,980	6,613	6,560	5,959	6,435	7,079
Sundry Debtors	3,081	3,139	4,334	4,637	5,147	5,764
Cash and Bank	905	684	240	845	830	1,115
Loans and advances	1,132	900	735	908	963	1,029
Total assets	17,238	19,533	20,754	22,208	23,913	26,044

Cash Flow Statement

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Pre-tax profit	1,485	1,038	1,693	1,514	2,137	2,606
Depreciation	972	1,010	1,134	1,154	1,516	1,696
Tax paid	(377)	(266)	(399)	(377)	(484)	(590)
Chg in working capital	152	(1,129)	(1,226)	200	(599)	(815)
Other operating activities	-	-	-	-	-	-
Cash flow from operations (a)	2,231	653	1,202	2,491	2,570	2,897
Capital expenditure	(1,312)	(1,690)	(1,971)	(1,242)	(2,019)	(2,020)
Chg in investments	(6)	(6)	35	(386)	(83)	(83)
Other investing activities	-	-	-	-	-	-
Cash flow from investing (b)	(1,318)	(1,696)	(1,937)	(1,627)	(2,102)	(2,103)
Equity raised/(repaid)	-	0	-	-	-	-
Debt raised/(repaid)	(171)	1,438	140	587	55	95
Dividend (incl. tax)	(179)	(269)	(358)	(358)	(394)	(430)
Chg in minorities	1	(3)	0	2	-	-
Other financing activities	101	(345)	509	(490)	(144)	(174)
Cash flow from financing (c)	(248)	821	291	(259)	(483)	(509)
Net chg in cash (a+b+c)	665	(221)	(444)	605	(15)	285

Financial Ratios

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Book Value (Rs)	763.5	805	881	945	1,026	1,127
Adj EPS (Rs)	73.6	48.3	79.4	69.6	100.9	124.5
Adj EPS growth (%)	-15.4	-34	65	-12	45	23
EBITDA margin (%)	12.1	8.1	9.8	9.1	10.8	11.7
Pre-tax margin (%)	7.1	3.8	5.4	4.7	5.9	6.6
Net Debt/Equity (x)	-0.1	0.1	0.1	0.1	0.1	0.1
ROCE (%)	13.7	9	13	11	14	15
ROE (%)	10.1	6	9	8	10	12

DuPont Analysis

Asset turnover (x)	1.3	1.5	1.6	1.5	1.6	1.6
Leverage factor (x)	1.5	1.6	1.6	1.6	1.6	1.6
Net margin (%)	5.3	2.6	3.8	3.2	4.2	4.7

Working Capital & Liquidity ratio

Inventory days	87	88	76	68	65	66
Receivable days	54	42	51	53	52	53
Payable days	38	32	29	27	26	26

Valuations

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
PER (x)	25.4	38.8	23.6	26.9	18.5	15.0
Price/Book value (x)	2.5	2.3	2.1	2.0	1.8	1.7
EV/Net sales (x)	1.3	1.1	0.9	0.9	0.8	0.7
EV/EBITDA (x)	10.8	13.1	9.6	10.2	7.6	6.4
Dividend Yield (%)	0.5	0.8	1.1	1.1	1.2	1.3

Source: Company; IDBI Capital Research



Notes

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Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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