

Nilkamal

HOLD

Decline in plastic volume dented earnings

Summary

Nilkamal Ltd.'s (NILK) Q3FY25 result was in-line with estimate on net sales front, while margins disappointed. Amid subdued net sales growth over Q3FY24, cost escalation on raw material, employee and higher expenditure on brand building eroded operating margin of the company. In Q3FY25, the Company reorganized and rebranded its retail division to 'Nilkamal Homes' under the mother brand of 'Nilkamal' and accordingly revised the segment disclosure as Business to Business (B2B) and Retail & E-commerce (Retail). Net sales was up by 6.3% YoY to Rs8.5bn, while EBITDA was down by 12.9% YoY to Rs634mn. The company reported net profit of Rs216mn, lower by 26.4% YoY. We have cut our earnings estimates for FY25E/FY26E and introduce FY27E earnings. Maintain HOLD with a revised TP of Rs1,917 (earlier TP Rs2,108), assigning 20x PER on FY27E.

Key Highlights and Investment Rationale

- **Value growth of plastic supported net sales:** NILK's B2B segment achieved a healthy growth of 8% YoY in value during the quarter inspite of 1% volume reduction, while the material handling solution business grew by 5% over Q3FY24. The Company widened its presence to 1,555 LFO/MBO/EBO at the end of Q3FY25 including net addition of 487 during the quarter. The Retail segment is catering to its consumers nationwide through an omnichannel experience. Pursuant to Company's objective, store network is reorganized with 98 stores at end of Q3FY25 which has impacted the revenue.
- **B2B segment volume off-take would be closely watched, HOLD with a TP of Rs1,917:** NILK's muted 9MFY25 performance indicates underlying demand slowdown, particularly in plastic segment. The company's efforts on streamlining the business segments, focus on widening retail network and strengthening brand recall paves the way for sustainable earnings growth in future. HOLD with a TP of Rs1,917.

TP Rs1,917

CMP Rs1,699

Potential upside/downside 13%

Previous Rating HOLD

Price Performance (%)

	-1m	-3m	-12m
Absolute	(12.1)	(13.6)	(17.2)
Rel to Sensex	(10.9)	(12.1)	(26.3)

V/s Consensus

EPS (Rs)	FY25E	FY26E	FY27E
IDBI Capital	70.6	79.5	95.9
Consensus	--	--	--
% difference	--	--	--

Key Stock Data

Bloomberg / Reuters	NILK IN / NKML.BO
Sector	Plastic Building Material
Shares o/s (mn)	15
Market cap. (Rs mn)	25,360
3-m daily avg Trd value (Rs mn)	0.8
52-week high / low	Rs2,105 / 1,630
Sensex / Nifty	78,271 / 23,696

Shareholding Pattern (%)

Promoters	64.5
FII	1.1
DII	14.3
Public	20.1

Financial snapshot

(Rs mn)

Year	FY23	FY24	FY25E	FY26E	FY27E
Revenue	31,309	31,963	33,069	34,870	36,861
Change (yoy, %)	15	2	3	5	6
EBITDA	3,082	2,904	2,664	2,944	3,379
Change (yoy, %)	39	(6)	(8)	11	15
EBITDA Margin (%)	9.8	9.1	8.1	8.4	9.2
Adj.PAT	1,340	1,224	1,053	1,186	1,431
EPS (Rs)	89.8	82.0	70.6	79.5	95.9
Change (yoy, %)	60.6	(8.6)	(14.0)	12.6	20.6
PE(x)	18.9	20.7	24.0	21.3	17.7
Dividend Yield (%)	1.2	1.2	1.3	1.4	1.5
EV/EBITDA (x)	8.7	9.3	10.2	9.3	8.0
RoE (%)	10.7	9.0	7.3	7.9	9.1
RoCE (%)	13.4	11.0	9.1	9.9	11.4

Source: IDBI Capital Research

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Exhibit 1: Financial snapshot

Particulars (mn)	Q3FY25	Q2FY25	QoQ (%)	Q3FY24	YoY (%)
Total revenues	8,543	8,218	4.0	8,035	6.3
Total expenditure	7,909	7,443	6.3	7,307	8.2
EBIDTA	634	774	(18.1)	728	(12.9)
EBIDTA margin(%)	7.4	9.4	-200bps	9.1	-164bps
Depreciation	303	297	2.0	294	3.0
Interest cost	107	96	11.1	97	9.9
Other income	31	26	19.8	22	43.4
PBT	256	408	(37.2)	359	(28.7)
Tax	64	102	(37.2)	86	(25.3)
Minority interest and exceptional items	24	21	18.3	20	19.0
Adj. net profit	216	326	(33.7)	294	(26.4)
Adj. EPS (INR)	14.5	21.9	(33.7)	19.7	(26.4)

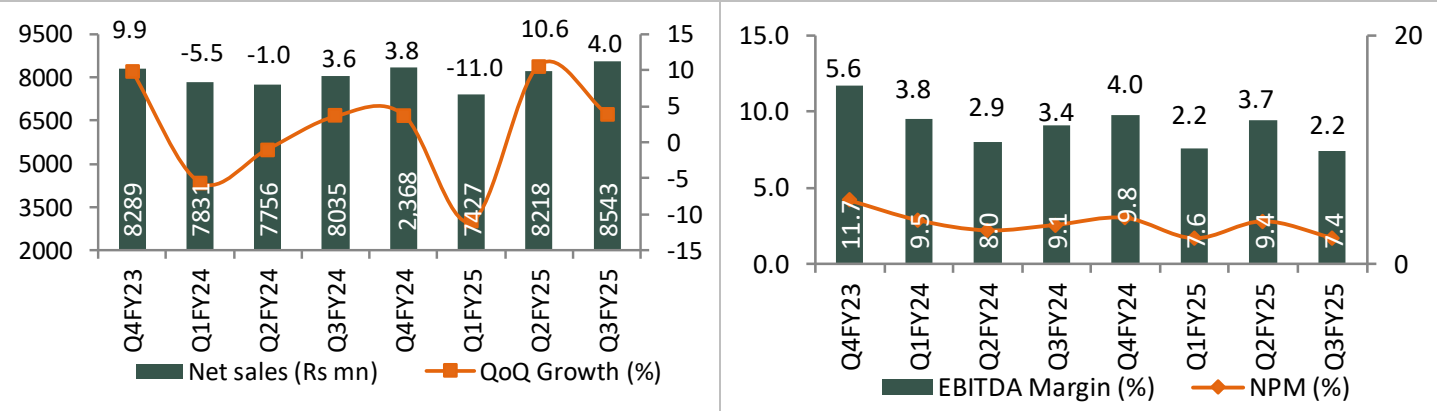
Source: Company; IDBI Capital Research

Exhibit 2: Actual vs. estimates

Particulars (mn)	Q3FY25A	Q3FY25E	Variance (%)
Net Sales	8,543	8,588	-0.5
EBITDA	634	808	-21.6
EBITDA Margin (%)	7.4	9.4	-198.1bps
Net Profit	216	344	-37.2
EPS, Rs	14.5	23.1	-37.2

Source: Company; IDBI Capital Research

Exhibit 3: Net Sales and EBITDA margin performance



Source: Company; IDBI Capital Research

Source: Company; IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net sales	27,301	31,309	31,963	33,069	34,870	36,861
<i>Change (yoy, %)</i>	30.5	15	2	3	5	6
Operating expenses	(25,088)	(28,227)	(29,059)	(30,405)	(31,926)	(33,482)
EBITDA	2,213	3,082	2,904	2,664	2,944	3,379
<i>Change (yoy, %)</i>	-12.6	39	(6)	(8)	11	15
<i>Margin (%)</i>	8.1	9.8	9.1	8.1	8.4	9.2
Depreciation	(1,010)	(1,134)	(1,154)	(1,109)	(1,179)	(1,249)
EBIT	1,203	1,948	1,750	1,554	1,765	2,130
Interest paid	(284)	(366)	(369)	(406)	(447)	(492)
Other income	119	110	133	140	147	154
Pre-tax profit	1,038	1,693	1,514	1,288	1,465	1,792
Tax	(261)	(430)	(382)	(324)	(369)	(451)
<i>Effective tax rate (%)</i>	25.1	25.4	25.3	25.2	25.2	25.2
Minority Interest	-	-	-	-	-	-
Net profit	777	1,263	1,131	963	1,096	1,341
Exceptional items	-	-	-	-	-	-
Adjusted net profit	834	1,340	1,224	1,053	1,186	1,431
<i>Change (yoy, %)</i>	(26.3)	61	(9)	(14)	13	21
EPS	55.9	89.8	82.0	70.6	79.5	95.9
Dividend per sh	15.0	20.0	20.0	22.0	24.0	25.0
<i>Dividend Payout %</i>	32.2	26.7	29.3	37.4	36.2	31.3

Balance Sheet

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Shareholders' funds	12,015	13,142	14,099	14,668	15,335	16,228
Share capital	149	149	149	149	149	149
Reserves & surplus	11,866	12,993	13,950	14,519	15,185	16,078
Total Debt	1,747	1,887	2,474	2,529	2,624	2,713
Other liabilities	122	153	159	191	228	273
Curr Liab & prov	5,642	5,564	5,466	5,857	6,307	6,792
Current liabilities	5,460	5,380	5,263	5,642	6,072	6,537
Provisions	182	184	203	216	235	254
Total liabilities	7,511	7,604	8,100	8,578	9,159	9,778
Total equity & liabilities	19,533	20,754	22,208	23,256	24,503	26,015
Net fixed assets	7,130	7,967	8,055	7,964	7,805	7,577
Investments	354	320	706	789	872	932
Other non-curr assets	713	597	1,099	1,191	1,303	1,426
Current assets	11,336	11,870	12,349	13,311	14,523	16,080
Inventories	6,613	6,560	5,959	6,435	7,079	7,716
Sundry Debtors	3,139	4,334	4,637	5,147	5,764	6,341
Cash and Bank	684	240	845	766	650	935
Loans and advances	900	735	908	963	1,029	1,088
Total assets	19,533	20,754	22,208	23,256	24,503	26,015

Cash Flow Statement

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Pre-tax profit	1,038	1,693	1,514	1,288	1,465	1,792
Depreciation	1,010	1,134	1,154	1,109	1,179	1,249
Tax paid	(266)	(399)	(377)	(292)	(332)	(406)
Chg in working capital	(1,129)	(1,226)	200	(599)	(815)	(733)
Other operating activities	-	-	-	-	-	-
Cash flow from operations (a)	653	1,202	2,491	1,506	1,497	1,902
Capital expenditure	(1,690)	(1,971)	(1,242)	(1,019)	(1,020)	(1,021)
Chg in investments	(6)	35	(386)	(83)	(83)	(60)
Other investing activities	-	-	-	-	-	-
Cash flow from investing (b)	(1,696)	(1,937)	(1,627)	(1,102)	(1,103)	(1,081)
Equity raised/(repaid)	0	-	-	-	-	-
Debt raised/(repaid)	1,438	140	587	55	95	89
Dividend (incl. tax)	(269)	(358)	(358)	(394)	(430)	(448)
Chg in minorities	(3)	0	2	-	-	-
Other financing activities	(345)	509	(490)	(144)	(174)	(178)
Cash flow from financing (c)	821	291	(259)	(483)	(509)	(536)
Net chg in cash (a+b+c)	(221)	(444)	605	(80)	(115)	284

Financial Ratios

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Book Value (Rs)	805.1	881	945	983	1,028	1,087
Adj EPS (Rs)	55.9	89.8	82.0	70.6	79.5	95.9
Adj EPS growth (%)	-26.3	61	-9	-14	13	21
EBITDA margin (%)	8.1	9.8	9.1	8.1	8.4	9.2
Pre-tax margin (%)	3.8	5.4	4.7	3.9	4.2	4.9
Net Debt/Equity (x)	0.1	0.1	0.1	0.1	0.1	0.1
ROCE (%)	9.4	13	11	9	10	11
ROE (%)	7.1	11	9	7	8	9

DuPont Analysis

Asset turnover (x)	1.5	1.6	1.5	1.5	1.5	1.5
Leverage factor (x)	1.6	1.6	1.6	1.6	1.6	1.6
Net margin (%)	3.1	4.3	3.8	3.2	3.4	3.9

Working Capital & Liquidity ratio

Inventory days	88	76	68	71	74	76
Receivable days	42	51	53	57	60	63
Payable days	32	29	27	28	28	29

Valuations

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
PER (x)	30.3	18.9	20.7	24.0	21.3	17.7
Price/Book value (x)	2.1	1.9	1.8	1.7	1.6	1.6
EV/Net sales (x)	1.0	0.9	0.8	0.8	0.8	0.7
EV/EBITDA (x)	11.9	8.7	9.3	10.2	9.3	8.0
Dividend Yield (%)	0.9	1.2	1.2	1.3	1.4	1.5

Source: Company; IDBI Capital Research

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Key to Ratings Stocks:

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

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