

Nilkamal

HOLD

Healthy volume growth aided earnings

Summary

Nilkamal Ltd.'s (NILK) Q2FY25 result was above our and consensus estimates on key parameters. After a subdued performance in FY24 and Q1FY25, the company's plastic segment volume growth positively surprised us. Further, B2B and B2C business grew at 7% and 4% respectively in value. @ Home remained laggard, while mattress segment reported impressive improvement in value growth, aided by demand traction. Net sales was up by 6% YoY to Rs8.2bn, while EBITDA was up by 25.3% YoY to Rs774mn. The company reported net profit of Rs326mn, higher by 30.3% YoY. We have marginally revised our net sales/PAT estimates for FY25E/FY26E. Maintain HOLD rating on the stock with a revised TP of Rs2,108 (earlier TP Rs1,996), assigning 20x PER on FY26E.

Key Highlights and Investment Rationale

- Healthy volume growth in B2B segment aided quarterly earnings:** NILK's plastic division reported 7% YoY growth in net sales at Rs7.5bn, while @Home reported 18.8% YoY decline in sales to Rs430mn. The plastic segment reported a volume growth of 9%, while lower NSR led to value growth of 7%. B2B business of the company reported robust 14% YoY volume growth. The Company continued its investment in branding exercise including celebrity led endorsement to achieve focused and high growth trajectory. NILK continued to widen its retail presence by having at the end of Q2FY25 which includes net addition of 92 during the quarter.
- Strategic initiatives on rebranding and capacity addition to drive growth:** After muted performance in the past, the company's Q2 earnings were encouraging. We believe the management's focus on capacity addition, rebranding of retail vertical and aggressive expansion through new store openings paves the way for sustainable earnings growth. HOLD with a TP of Rs2,108.

TP **RS2,108**CMP **Rs1,968**Potential upside/downside **7%**Previous Rating **HOLD**

Price Performance (%)

	-1m	-3m	-12m
Absolute	2.9	1.6	(15.1)
Rel to Sensex	9.4	3.3	(40.6)

V/s Consensus

EPS (Rs)	FY25E	FY26E
IDBI Capital	89.2	105.4
Consensus	83.6	99.8
% difference	6.7	5.6

Key Stock Data

Bloomberg / Reuters	NILK IN / NKML.BO
Sector	Plastic Building Material
Shares o/s (mn)	15
Market cap. (Rs mn)	29,373
3-m daily avg Trd value (Rs mn)	5.0
52-week high / low	Rs2,415 / 1,630
Sensex / Nifty	80,005 / 24,339

Shareholding Pattern (%)

Promoters	64.5
FII	1.1
DII	14.3
Public	20.1

Financial snapshot

(Rs mn)

Year	FY22	FY23	FY24	FY25E	FY26E
Revenue	27,301	31,309	31,963	35,783	38,549
Change (yoy, %)	30	15	2	12	8
EBITDA	2,213	3,082	2,904	3,437	3,975
Change (yoy, %)	(13)	39	(6)	18	16
EBITDA Margin (%)	8.1	9.8	9.1	9.6	10.3
Adj.PAT	834	1,340	1,224	1,331	1,573
EPS (Rs)	55.9	89.8	82.0	89.2	105.4
Change (yoy, %)	(26.3)	60.6	(8.6)	8.7	18.2
PE(x)	35.2	21.9	24.0	22.1	18.7
Dividend Yield (%)	0.8	1.0	1.0	1.1	1.2
EV/EBITDA (x)	13.7	10.1	10.7	9.1	8.0
RoE (%)	7.1	10.7	9.0	9.2	10.2
RoCE (%)	9.4	13.4	11.0	11.2	12.5

Source: IDBI Capital Research

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Exhibit 1: Financial snapshot

Particulars (mn)	Q2FY25	Q1FY25	QoQ (%)	Q2FY24	YoY (%)
Total revenues	8,218	7,427	10.6	7,756	6.0
Total expenditure	7,443	6,863	8.4	7,138	4.3
EBIDTA	774	563	37.4	618	25.3
EBIDTA margin(%)	9.4	7.6	183bps	8.0	145bps
Depreciation	297	291	2.1	291	2.2
Interest cost	96	93	3.6	92	4.3
Other income	26	37	(29.4)	63	(58.1)
PBT	408	217	87.7	298	36.8
Tax	102	54	90.5	73	40.4
Minority interest and exceptional items	21	20	4.0	25	(18.0)
Adj. net profit	326	183	77.9	250	30.3
Adj. EPS (INR)	21.9	12.3	77.9	16.8	30.3

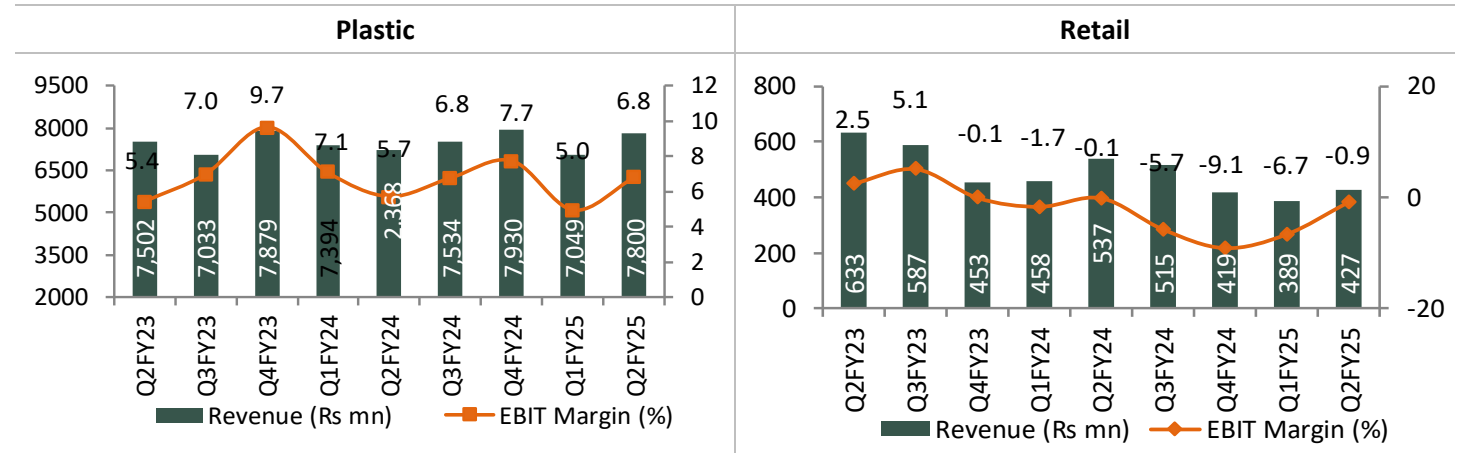
Source: Company; IDBI Capital Research

Exhibit 2: Actual vs. estimates

Particulars (mn)	Q2FY25A	Q2FY25E	Variance (%)
Net Sales	8,218	7,575	8.5
EBITDA	774	624	24.0
EBITDA Margin (%)	9.4	8.2	118.1bps
Net Profit	326	221	47.8
EPS, Rs	21.9	14.8	47.8

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	35,783	38,549
<i>Change (yoy, %)</i>	<i>(7.3)</i>	<i>30</i>	<i>15</i>	<i>2</i>	<i>12</i>	<i>8</i>
Operating expenses	(18,390)	(25,088)	(28,227)	(29,059)	(32,346)	(34,574)
EBITDA	2,532	2,213	3,082	2,904	3,437	3,975
<i>Change (yoy, %)</i>	<i>(10)</i>	<i>(13)</i>	<i>39</i>	<i>(6)</i>	<i>18</i>	<i>16</i>
<i>Margin (%)</i>	<i>12.1</i>	<i>8.1</i>	<i>9.8</i>	<i>9.1</i>	<i>9.6</i>	<i>10.3</i>
Depreciation	(972)	(1,010)	(1,134)	(1,154)	(1,516)	(1,696)
EBIT	1,560	1,203	1,948	1,750	1,921	2,278
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	1,654	1,978
Tax	(370)	(261)	(430)	(382)	(416)	(498)
<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	1,115	777	1,263	1,131	1,238	1,480
Exceptional items	-	(0)	-	-	-	-
Adjusted net profit	1,132	834	1,340	1,224	1,331	1,573
<i>Change (yoy, %)</i>	<i>(12.9)</i>	<i>(26)</i>	<i>61</i>	<i>(9)</i>	<i>9</i>	<i>18</i>
EPS	75.8	55.9	89.8	82.0	89.2	105.4
Dividend per sh	10.0	15.0	20.0	20.0	22.0	24.0
<i>Dividend Payout %</i>	<i>15.8</i>	<i>32.2</i>	<i>26.7</i>	<i>29.3</i>	<i>29.6</i>	<i>27.3</i>

Balance Sheet

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Shareholders' funds	11,394	12,015	13,142	14,099	14,943	15,993
Share capital	149	149	149	149	149	149
Reserves & surplus	11,245	11,866	12,993	13,950	14,793	15,844
Total Debt	309	1,747	1,887	2,474	2,529	2,624
Other liabilities	127	122	153	159	200	250
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	8,587	9,181
Total equity & liabilities	17,238	19,533	20,754	22,208	23,539	25,184
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	13,002	14,127
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	456	255
Loans and advances	1,132	900	735	908	963	1,029
Total assets	17,238	19,533	20,754	22,208	23,539	25,184

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	1,654	1,978
Depreciation	972	1,010	1,134	1,154	1,516	1,696
Tax paid	(377)	(266)	(399)	(377)	(375)	(448)
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	2,196	2,411
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	(389)	(201)

Financial Ratios

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Book Value (Rs)	763.5	805	881	945	1,001	1,072
Adj EPS (Rs)	75.8	55.9	89.8	82.0	89.2	105.4
Adj EPS growth (%)	-12.9	-26	61	-9	9	18
EBITDA margin (%)	12.1	8.1	9.8	9.1	9.6	10.3
Pre-tax margin (%)	7.1	3.8	5.4	4.7	4.6	5.1
Net Debt/Equity (x)	-0.1	0.1	0.1	0.1	0.1	0.1
ROCE (%)	13.7	9	13	11	11	12
ROE (%)	10.4	7	11	9	9	10

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 (%)	5.4	3.1	4.3	3.8	3.7	4.1

Working Capital & Liquidity ratio

Inventory days	87	88	76	68	66	67
Receivable days	54	42	51	53	52	55
Payable days	38	32	29	27	26	26

Valuations

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
PER (x)	26.0	35.2	21.9	24.0	22.1	18.7
Price/Book value (x)	2.6	2.4	2.2	2.1	2.0	1.8
EV/Net sales (x)	1.4	1.1	1.0	1.0	0.9	0.8
EV/EBITDA (x)	11.4	13.7	10.1	10.7	9.1	8.0
Dividend Yield (%)	0.5	0.8	1.0	1.0	1.1	1.2

Source: Company; IDBI Capital Research

Dealing

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Key to Ratings Stocks:**BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.**IDBI Capital Markets & Securities Ltd.****Equity Research Desk**

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