

Nilkamal

ACCUMULATE

Volume de-growth led to a big miss

Summary

Nilkamal's (NILK) Q4FY19 result was below our estimates owing to lower-than expected volume and higher expenses. Revenue was down by 6.9% YoY to Rs5.5bn while EBITDA/PAT was down by 19.5%/16.8% YoY to Rs526mn/Rs281mn. Plastic segment revenue was down by 8.5% YoY mainly due to volume de-growth of 9% (vs. expectation of 7.5% growth). Retail segment also registered revenue decline of 2.7% YoY to Rs483 mn. We cut our FY20E Revenue/EBITDA/PAT CAGR of 12%/18%/16% during FY19-FY21E. We factor weak Q4FY19, introduce FY21 financials and rollover to FY21. We maintain ACCUMULATE with new TP of Rs1,308 (Rs1,422 earlier).

Key Highlights and Investment Rationale

Lower volumes and higher expenses dents profits

The company's revenue was down by 6.9% YoY on the back of lower volumes and higher expenses. While plastic segment revenue declined by 8.5% YoY to Rs5bn owing to volume/value de-growth of 9%/8% YoY, Retail segment revenue also declined by 2.7% YoY to Rs483mn. However, higher interest expense and depreciation was partially offset by higher other income which increased to Rs90mn vs. Rs19mn in Q4FY18, leading to decline in PAT by 17% YoY to Rs281 mn in Q4FY19.

Additional Capex and new product launches to drive the growth

Mattress division witnessed a growth of 17% YoY in FY19 to Rs690 mn while bubble-guard business grew by 210% YoY to R126 mn. The company has incurred a capex of Rs1.1bn in FY19 and plans to incur additional capex of Rs1.5bn in FY20 which would be spent majorly towards new product range in Material Handling business and Furniture business. In @home business, the company entered into a new franchise model and Shop-In-Shop concept. The company is also entering deep into online sales through own website which resulted in the revenue of Rs253 mn in FY19 against Rs113 mn in FY18. Though, we expect demand environment to remain challenging going forward owing to strong competition and lower economic growth.

TP	Rs1,380	
CMP	Rs1,267	
Potential upside / downside	+9%	
Previous Rating	ACCUMULATE	
V/s Consensus		
EPS (Rs)	FY20E	FY21E
IDBI Capital	93.5	106.1
Consensus	-	-
% difference	-	-

Shareholding Pattern (%)

Promoters	64.0
FII	2.4
DII	13.7
Public	19.9

Price Performance (%)

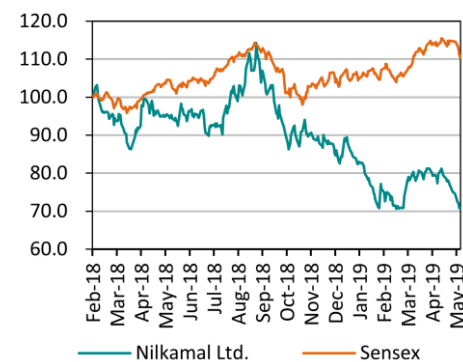
	-1m	-3m	-12m
Absolute	(9.3)	(4.1)	(24.5)
Rel to Sensex	(5.8)	(6.6)	(30.6)

Q4FY19 Result Review

Key Stock Data

Bloomberg / Reuters	NILK IN / NKML.BO
Sector	Plastic Building Material
Shares o/s (mn)	15
Market cap. (Rs mn)	18,914
Market cap. (U70S\$ mn)	268
3-m daily avg Trd value (Rs mn)	32.2
52-week high / low	Rs2,133 / 1,230
Sensex / Nifty	37,463 / 11,279

Relative to Sensex (%)



Financial snapshot

Year	FY2017	FY2018	FY2019	FY2020E	FY2021E
Revenue	20,240	21,240	23,624	26,484	29,620
EBITDA	2,317	2,394	2,134	2,657	2,972
EBITDA (%)	11.4	11.3	9.0	10.0	10.0
Adj. PAT	1,192	1,239	1,177	1,395	1,584
EPS (Rs)	79.8	83.0	78.9	93.5	106.1
EPS Growth (%)	11.8	4.0	(5.0)	18.6	13.5
PE (x)	15.9	15.3	16.1	13.6	11.9
Dividend Yield (%)	0.6	0.7	0.6	0.7	0.8
EV/EBITDA (x)	8.3	8.0	9.0	7.3	6.5
RoE (%)	17.4	15.6	13.2	13.9	13.9
RoCE (%)	23.6	21.8	16.6	19.5	19.7

Source: Company; IDBI Capital Research

Exhibit 1: Actual vs. estimates

Year to March	Q4FY19	Q4FY19E	Variance (%)
Revenue (Rs mn)	5,548	6,408	(13.4)
EBITDA (Rs mn)	526	666	(21.0)
EBITDA margin (%)	9.5	10.4	(92bps)
PAT (Rs mn)	281	358	(21.4)
EPS (Rs)	18.9	24.0	(21.3)

Source: Company; IDBI Capital Research

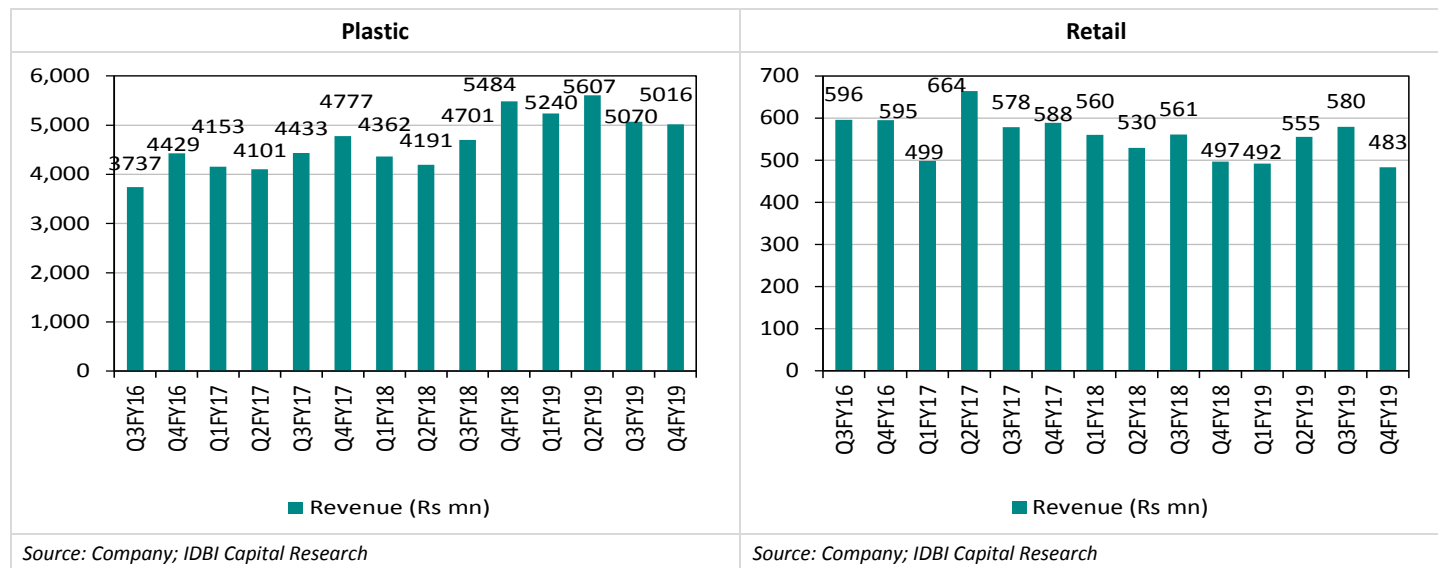
Exhibit 2: Financial snapshot (Standalone)

(Rs mn)

Year-end: March	Q4FY19	Q4FY18	YoY (%)	Q3FY19	QoQ (%)
Revenues	5,548	5,961	(6.9)	5,639	(1.6)
Expenditure	5,022	5,307	(5.4)	5,138	(2.3)
EBITDA	526	653	(19.5)	502	4.8
Depreciation	130	112	15.6	124	4.6
Interest	40	34	16.5	41	(1.9)
Other income	90	19	364.8	20	353.1
PBT	446	526	(15.2)	357	25.1
Tax	165	188	(12.2)	82	101.6
Tax rate (%)	36.9	35.7	125bps	22.9	NM
Reported PAT	281	338	(16.8)	275	2.3
Adjusted PAT	281	338	(16.8)	275	2.3
Adjusted EPS	19	23	(16.8)	18	2.3
Margins (%)					
EBITDA (%)	9.5	11.0	(148bps)	8.9	58bps
Adj. PAT (%)	5.1	5.7	(60bps)	4.9	20bps

Source: Company; IDBI Capital Research

Exhibit 3: Division wise - Quarterly Revenue Performance (Standalone)



Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY18	FY19	FY20E	FY21E
Net sales	21,240	23,624	26,484	29,620
<i>Growth (%)</i>	4.9	11.2	12.1	11.8
Operating expenses	(18,846)	(21,490)	(23,826)	(26,648)
EBITDA	2,394	2,134	2,657	2,972
<i>Growth (%)</i>	3.3	-10.9	24.5	11.8
Depreciation	(505)	(517)	(533)	(564)
EBIT	1,890	1,617	2,124	2,408
Interest paid	(125)	(158)	(159)	(178)
Other income	37	130	53	59
Pre-tax profit	1,801	1,589	2,018	2,289
Tax	(630)	(483)	(613)	(695)
<i>Effective tax rate (%)</i>	35.0	30.4	30.4	30.4
Minority Interest	67.1	70.6	(9.8)	(10.3)
Net profit	1,239	1,177	1,395	1,584
Adjusted net profit	1,239	1,177	1,395	1,584
<i>Growth (%)</i>	4.0	(5.0)	18.6	13.5
<i>Shares o/s (mn nos)</i>	15	15	15	15

Cash Flow Statement

(Rs mn)

Year-end: March	FY18	FY19	FY20E	FY21E
Pre-tax profit	1,801	1,589	2,018	2,289
Depreciation	505	517	533	564
Tax paid	(630)	(483)	(613)	(695)
Chg in working capital	(520)	(456)	(887)	(831)
Other operating activities	(375)	26	367	(10)
Cash flow from operations (a)	781	1,194	1,418	1,317
Capital expenditure	(637)	(1,150)	(1,250)	(1,250)
Chg in investments	-	-	-	-
Other investing activities	-	-	-	-
Cash flow from investing (b)	(637)	(1,150)	(1,250)	(1,250)
Equity raised/(repaid)	-	-	-	-
Debt raised/(repaid)	43	37	(38)	71
Dividend (incl. tax)	(124)	(118)	(140)	(157)
Chg in minorities	-	-	-	-
Other financing activities	-	-	-	-
Cash flow from financing (c)	(81)	(81)	(177)	(87)
Net chg in cash (a+b+c)	63	(38)	(9)	(19)

Balance Sheet

(Rs mn)

Year-end: March	FY18	FY19	FY20E	FY21E
Net fixed assets	3,528	4,124	4,392	5,078
Investments	3	3	3	3
Current assets	8,943	8,353	9,459	10,540
Inventories	3,794	3,929	4,366	4,883
Sundry Debtors	3,401	3,090	3,628	4,057
Cash and Bank	204	167	157	138
Marketable Securities	19	10	10	10
Loans and advances	1,525	1,158	1,298	1,452
Total assets	12,474	12,480	13,854	15,621
Shareholders' funds	8,476	9,402	10,658	12,074
Share capital	149	149	149	149
Reserves & surplus	8,337	9,263	10,518	11,935
Total Debt	534	571	533	604
Secured loans	534	571	533	604
Other liabilities	167	206	206	206
Curr Liab & prov	3,224	2,229	2,376	2,645
Current liabilities	3,045	2,047	2,193	2,463
Provisions	179	182	182	182
Total liabilities	3,926	3,006	3,115	3,455
Total equity & liabilities	12,474	12,480	13,854	15,621
Book Value (Rs)	568	630	714	809

Source: Company; IDBI Capital Research

Financial Ratios

Year-end: March	FY18	FY19	FY20E	FY21E
Adj. EPS (Rs)	83.0	78.9	93.5	106.1
Adj EPS growth (%)	4.0	(5.0)	18.6	13.5
EBITDA margin (%)	11.3	9.0	10.0	10.0
Pre-tax margin (%)	8.5	6.7	7.6	7.7
ROE (%)	15.6	13.2	13.9	13.9
ROCE (%)	21.8	16.6	19.5	19.7
Turnover & Leverage ratios (x)				
Asset turnover (x)	1.8	1.9	2.0	2.0
Leverage factor (x)	1.5	1.4	1.3	1.3
Net margin (%)	5.8	5.0	5.3	5.3
Net Debt/Equity (x)	0.0	0.0	0.0	0.0
Working Capital & Liquidity ratio				
Inventory days	65	61	60	60
Receivable days	58	48	50	50
Payable days	59	35	34	34

Valuation

Year-end: March	FY18	FY19	FY20E	FY21E
PER (x)	15.3	16.1	13.6	11.9
Price / Book value (x)	2.2	2.0	1.8	1.6
PCE (x)	10.8	11.2	9.8	8.8
EV / Net sales (x)	0.9	0.8	0.7	0.7
EV / EBITDA (x)	8.0	9.0	7.3	6.5
Dividend Yield (%)	0.7	0.6	0.7	0.8



Notes

Dealing

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Key to Ratings Stocks:

BUY: Absolute return of 15% and above; **ACCUMULATE:** 5% to 15%; **HOLD:** Upto $\pm 5\%$; **REDUCE:** -5% to -15%; **SELL:** -15% and below.

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