

30 July 2025

Nilkamal

Mixed quarter, better prospects ahead; Buy

Nilkamal's Q1 revenue surged 18.9% y/y to Rs8.8bn. Gross profit was up 15.5% y/y to Rs3.7bn. Business restructuring and front-loading of costs w.r.t the Hosur, TN plant restricted EBITDA to Rs580m, up 2.9% y/y. Depreciation/interest expense (up 15.6/20.0% y/y) cut PAT 16.6% y/y to Rs152m. We believe healthy revenue growth momentum is likely due to the utilisation ramp-up at Hosur and a further Rs1.5bn capex likely in FY26 revenue next year. We introduce FY28e and expect 15.1/25.1% revenue/PAT CAGRs over FY25-28. We retain our Buy recommendation on the stock, with an unchanged 12-mth TP of Rs2,232, 18x the average FY27e/FY28e EPS (20x FY27e EPS).

Healthy revenue growth, muted B2B margins. Revenue rose 19.6% y/y to Rs7.9bn. EBIT rose 13.3% y/y to Rs417m, but the EBIT margin was flat at 5.3% due to pressure in the furniture trade business. The mattress & foam/bubble-guard/furniture-trade businesses grew 51%/22%/3%, driven by various brand engagement initiatives, while institutional trade fell 30%.

Retail, e-com revenue up, losses increase. Revenue surged 13.4% y/y to Rs917m, while EBIT losses rose significantly to Rs95m (Rs37m a year ago, though sequentially better). Though com/retail revenue grew 18%/12%, higher branding and servicing costs dampened profitability overall. The total number of stores is 87.

Capex plans, borrowings. In FY26 the company is likely to incur Rs1.5bn capex for the material-handling, rigid-packaging and retail businesses. Net borrowings rose 1.9x y/y to Rs3.3bn led by expansion at Hosur.

Outlook, Valuation. We expect 15.1/25.1% revenue/PAT CAGRs over FY25-28. We retain our Buy recommendation on the stock, with an unchanged 12-mth TP of Rs2,232, 18x the average FY27e/FY28e EPS (20x FY27e EPS).

Risks: Economic slowdown, keener competition, raw material availability and pricing.

Key financials (YE Mar)	FY24	FY25	FY26e	FY27e	FY28e
Sales (Rs m)	31,963	33,127	37,137	42,725	50,473
Net profit (Rs m)	1,222	1,064	1,156	1,618	2,082
EPS (Rs)	81.9	71.3	77.4	108.5	139.5
PE (x)	20.7	23.7	21.8	15.6	12.1
EV/EBITDA (x)	9.1	9.8	9.0	7.0	5.6
P/BV (x)	1.8	1.7	1.6	1.5	1.3
RoE (%)	9.0	7.3	7.6	9.9	11.6
RoCE (%) - after tax	7.8	6.5	6.5	8.5	10.0
Dividend yield (%)	1.2	1.2	1.2	1.2	1.2
Net debt/equity (x)	0.1	0.2	0.2	0.2	0.2

Source: Company, Anand Rathi Research

Rating: **Buy**

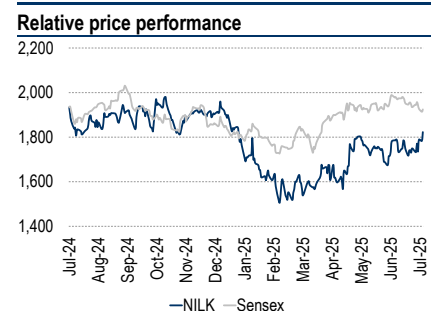
Target price (12-mth): Rs.2,232

Share price: Rs.1,692

Key data	NILK IN / NKLM.BO
52-week high / low	Rs.2,050 / 1,497
Sensex / Nifty	81,482 / 24,855
Market cap	Rs.27bn
Shares outstanding	15m

Shareholding pattern (%)	Jun'25	Mar'25	Dec'24
Promoters	64.5	64.5	64.5
- of which, Pledged	-	-	-
Free Float	35.5	35.5	35.5
- Foreign Institutions	1.0	1.0	1.1
- Domestic Institutions	14.4	14.4	14.4
- Public	20.1	20.1	20.0

Estimates revision (%)	FY26e	FY27e
Sales	4.2	7.3
EBITDA	(3.0)	4.5
EPS	(8.8)	(2.8)



Source: Bloomberg

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Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Net revenues	31,963	33,127	37,137	42,725	50,473
Growth (%)	2.1	3.6	12.1	15.0	18.1
Direct costs	18,464	18,833	21,470	24,033	27,603
SG&A	10,595	11,471	12,534	14,660	17,823
EBITDA	2,904	2,824	3,133	4,032	5,047
EBITDA margins (%)	9.1	8.5	8.4	9.4	10.0
- Depreciation	1,154	1,201	1,393	1,535	1,735
Other income	133	117	116	107	95
Interest expenses	369	408	464	601	789
PBT	1,514	1,331	1,393	2,003	2,618
Effective tax rates (%)	25.3	25.5	25.0	25.0	25.0
+ Associates / (Minorities)	91	73	111	116	118
Net income	1,222	1,062	1,156	1,618	2,082
Adj. income	1,222	1,064	1,156	1,618	2,082
WANS	14.9	14.9	14.9	14.9	14.9
FDEPS (Rs)	81.9	71.3	77.4	108.5	139.5
FDEPS growth (%)	-8.7	-12.9	8.6	40.0	28.6
Gross margins (%)	42.2	43.2	42.2	43.8	45.3

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
PBT	1,514	1,331	1,393	2,003	2,618
+ Non-cash items	1,154	1,201	1,393	1,535	1,735
Oper. prof. before WC	2,668	2,533	2,785	3,538	4,353
- Incr. / (decr.) in WC	(179)	14	(1,051)	(1,606)	(2,232)
Others incl. taxes	57	48	116	100	134
Operating cash-flow	2,546	2,595	1,850	2,032	2,255
- Capex (tang. + intang.)	(1,236)	(3,187)	(1,894)	(1,910)	(2,085)
Free cash-flow	1,310	(592)	(44)	122	170
Acquisitions					
- Div. (incl. buyback & taxes)	(298)	(298)	(298)	(298)	(298)
+ Equity raised (incl. chg in share prem.)	-	-	-	-	-
+ Debt raised	587	1,251	19	201	4
- Fin investments	(386)	239	-	-	-
- Misc. (CFI + CFF)	(608)	(50)	(327)	51	353
Net cash-flow	605	549	(651)	75	229

Source: Company, Anand Rath Research

Fig 5 – Price movement



Source: Bloomberg, Anand Rath Research

Fig 2 – Balance sheet (Rs m)

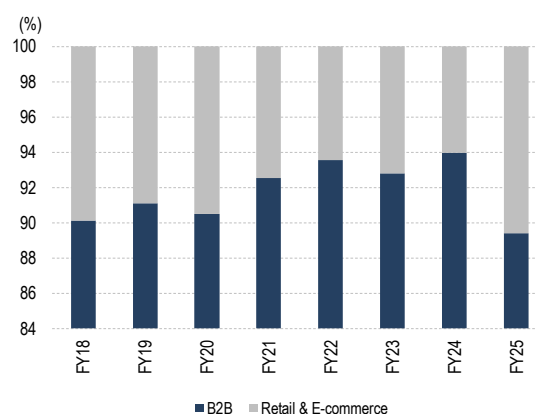
Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Share capital	149	149	149	149	149
Net worth	14,099	14,872	15,729	17,049	18,833
Debt	2,474	3,726	3,745	3,946	3,950
Minority interest	10	13	19	25	38
DTL / (Assets)	159	147	147	147	147
Capital employed	16,742	18,757	19,640	21,167	22,967
Net tangible assets	7,674	9,295	10,295	10,795	11,170
Net intangible assets	5	1	1	1	1
Goodwill	68	68	68	68	68
CWIP (tang. & intang.)	381	748	250	125	100
Investments (strategic)	379	451	451	451	451
Investments (financial)	327	16	16	16	16
Current assets (excl. cash)	1,935	1,962	2,376	2,807	3,432
Cash	845	1,395	744	819	1,048
Current liabilities	3,314	3,715	4,100	4,889	6,283
Working capital	8,443	8,537	9,539	10,974	12,964
Capital deployed	16,742	18,757	19,640	21,167	22,967
Contingent liabilities	103	49	-	-	-

Fig 4 – Ratio analysis

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
P/E (x)	20.7	23.7	21.8	15.6	12.1
EV / EBITDA (x)	9.1	9.8	9.0	7.0	5.6
EV / Sales (x)	0.8	0.8	0.8	0.7	0.6
P/B (x)	1.8	1.7	1.6	1.5	1.3
RoE (%)	9.0	7.3	7.6	9.9	11.6
RoCE (%) (post-tax)	7.8	6.5	6.5	8.5	10.0
RoIC (%) (post-tax)	8.3	7.1	7.0	9.0	10.6
DPS (Rs)	20.0	20.0	20.0	20.0	20.0
Dividend yield (%)	1.2	1.2	1.2	1.2	1.2
Dividend payout (%) - incl. DDT	24.4	28.1	25.8	18.4	14.3
Net debt / equity (x)	0.1	0.2	0.2	0.2	0.2
Receivables (days)	54	52	50	50	50
Inventory (days)	69	77	75	75	75
Payables (days)	25	33	31	31	31
CFO : PAT %	208.2	243.8	160.1	125.6	108.3

Source: Company, Anand Rath Research

Fig 6 – Revenue mix



Source: Company, Anand Rath Research. Note: Prior to FY24, the divisions were classified as Plastics and Lifestyle

Financial highlights

Fig 7 – Financials (consolidated)

(Rs m)	Q1 FY25	Q4 FY25	Q1 FY26	Y/Y (%)	Q/Q (%)	FY24	FY25	Y/Y (%)
Revenue	7,427	8,940	8,831	18.9	(1.2)	31,963	33,127	3.6
Raw material costs	4,227	5,118	5,136	21.5	0.4	18,464	18,833	2.0
Employee costs	680	723	773	13.7	7.0	2,494	2,785	11.7
Other expenses	1,956	2,248	2,342	19.8	4.2	8,100	8,686	7.2
EBITDA	563	852	580	2.9	(31.9)	2,904	2,824	(2.8)
Other income	37	22	38	2.5	72.0	133	117	(12.1)
Depreciation	291	311	336	15.6	8.1	1,154	1,201	4.1
Finance costs	93	113	111	20.0	(1.3)	369	408	10.3
Share of profit from Associates	20	12	25	24.2	112.5	93	76	(17.8)
PBT	237	462	195	(17.6)	(57.7)	1,607	1,408	(12.4)
Tax	54	120	42	(21.5)	(64.9)	382	340	(11.0)
MI	1	1	1	44.9	(10.9)	2	4	107.2
PAT	183	341	152	(16.6)	(55.3)	1,223	1,064	(13.0)
EPS (Rs)	12.3	22.9	10.2	(16.6)	(55.3)	82.0	71.3	(13.0)

As % of sales				y/y (bps)	q/q (bps)			y/y (bps)
Material cost	56.9	57.2	58.2	124	91	57.8	56.8	(92)
Gross margins	43.1	42.8	41.8	(124)	(91)	42.2	43.2	92
Employee expenses	9.2	8.1	8.8	(41)	67	7.8	8.4	60
Other expenses	26.3	25.1	26.5	19	138	25.3	26.2	88
EBITDA margins	7.6	9.5	6.6	(102)	(296)	9.1	8.5	(56)
Other income	0.5	0.2	0.4	(7)	18	0.4	0.4	(6)
Depreciation	3.9	3.5	3.8	(11)	33	3.6	3.6	2
Finance costs	1.2	1.3	1.3	1	(0)	1.2	1.2	7
PBT margins	3.2	5.2	2.2	(9.8)	(296)	5.0	4.2	(78)
Effective tax rates	22.6	25.9	21.5	(108)	(440)	23.8	24.1	37
PAT margins	2.5	3.8	1.7	(74)	(209)	3.8	3.2	(61)

Source: Company, Anand Rathi Research

Fig 8 – Segment details

Particulars (Rs m)	Q1 FY25	Q4 FY25	Q1 FY26	Y/Y (%)	Q/Q (%)	FY24	FY25	Y/Y (%)
Segment revenues								
Business-to-Business	6,618	8,125	7,914	19.6	(2.6)	28,218	29,618	5.0
Retail & Ecommerce	809	815	917	13.4	12.5	3,746	3,509	(6.3)
Total	7,427	8,940	8,831	18.9	(1.2)	31,963	33,127	3.6
Segment EBIT								
Business-to-Business	368	727	417	13.3	(42.6)	2,172	2,217	2.1
Retail & Ecommerce	(37)	(122)	(95)	154.4	(22.0)	(135)	(345)	155.6
Total	331	605	322	(2.6)	(46.7)	2,037	1,872	(8.1)
Revenue mix (%)								
Business-to-Business	89	91	90	50	(127)	88	89	113
Retail & Ecommerce	11	9	10	(50)	127	12	11	(113)
Total	100	100	100	-	-	100	100	-
EBIT margins (%)								
Business-to-Business	5.6	8.9	5.3	(29)	(367)	7.7	7.5	(21)
Retail & Ecommerce	(4.6)	(15.0)	(10.4)	(574)	459	(3.6)	(9.8)	(623)
Overall	4.5	6.8	3.7	(81)	(312)	6.4	5.7	(72)

Source: Company, Anand Rathi Research

Q1 FY26 Result Analysis

Mixed quarter

- Revenue surged 18.9% y/y to Rs.8bn, beating our/consensus expectations (up 7.9/11%), led by growth in B2B and retail & e-com.
- The gross profit rose 15.5% y/y to ~Rs3.7bn while the gross margin contracted 124bps y/y to 41.8%.
- EBITDA increased a mere 2.9% y/y to Rs580m, while the margin contracted 102bps y/y to 6.6%.
- Profitability was hit by business re-structuring and frontloading of certain costs w.r.t the Hosur plant, commissioned to manufacture foam, modular furniture and sofas.
- Depreciation/interest expense up 15.6/20.0% y/y kept PAT 16.6% lower y/y to Rs152m, the margin contracting 74bps y/y to 1.7%.

Segment-wise performance

Consolidated

- **B2B (90% of total).** Revenue surged 19.6% y/y to Rs7.9bn and profitability rose 13.3% y/y to Rs417m. The EBIT margin was flat at 5.3%.
- **Retail & r-com (10% of total).** Revenue rose a significant 13.4% y/y to Rs917m, but loss widened to Rs 95m (from Rs37m a year back). The EBIT margin was a negative 10.4% (vs. a negative 4.6% a year ago) due to higher branding, servicing, and employee costs.

Standalone

B2B

- Growth: 19% by value, 22% in volumes.
- The mattress and foam business grew 51% through diverse products, brand-engagement initiatives and wider market presence through more channel partners.
- The bubble-guard business grew 22%.
- **Nilkamal Edge.** The institutional furniture business fell 30%. The furniture trade business grew 3%, but margin pressure resulted in a falling EBIT margin.

Retail & E-commerce

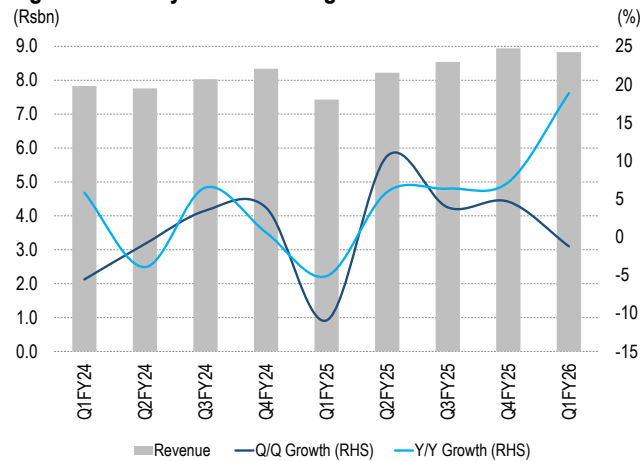
- E-com revenue was Rs410m, up 18% y/y, while retail store revenue grew 12% y/y.
- At 30th Jun'25, the number of COCO and FOFO stores were 87.

Capex and borrowings

- Net borrowings rose a significant 1.9x y/y to Rs3.3bn on the Hosur plant (MDF & foam) commissioning.
- The company is likely to incur ~Rs1.5bn capex (incl. ~Rs700m of previous years committed capex) in FY26. This is chiefly for the material handling, rigid packaging and retail businesses.

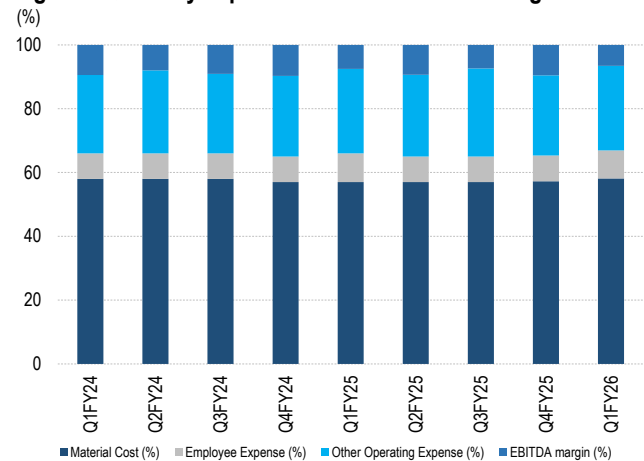
Story in charts

Fig 9 – Quarterly revenue and growth



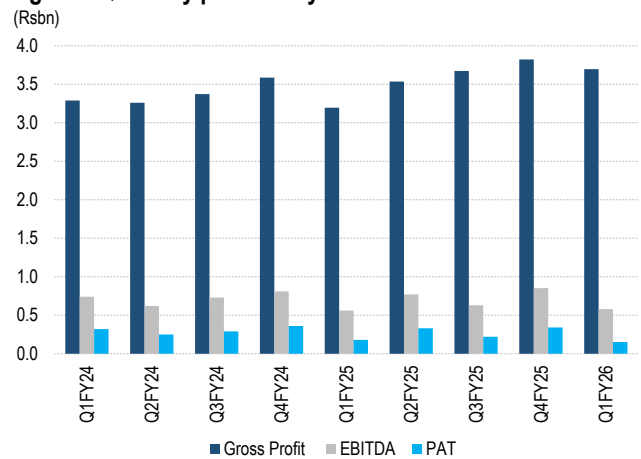
Source: Company, Anand Rathi Research

Fig 10 – Quarterly expenses-mix and EBITDA-margin trend



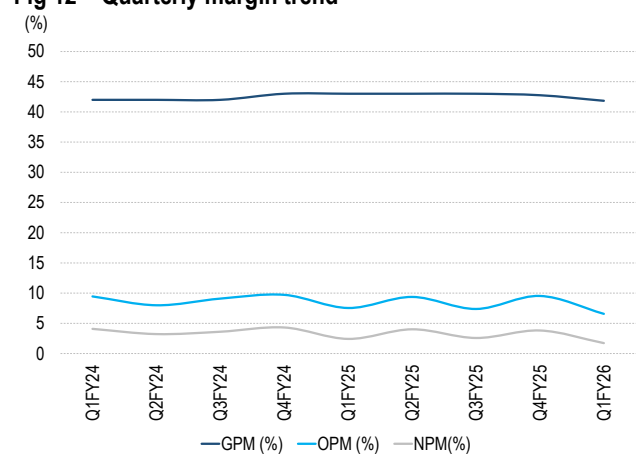
Source: Company, Anand Rathi Research

Fig 11 – Quarterly profitability trend



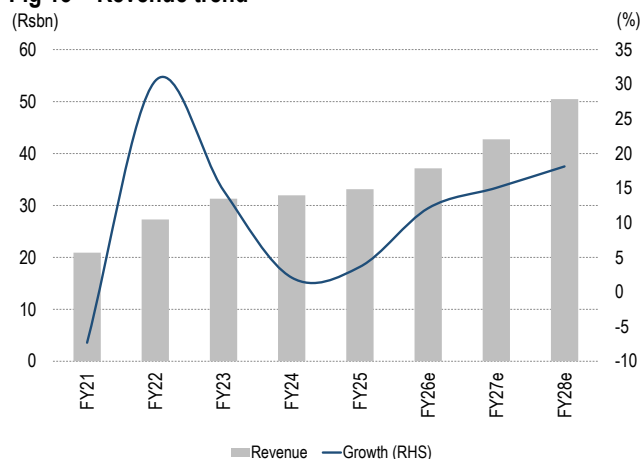
Source: Company, Anand Rathi Research

Fig 12 – Quarterly margin trend



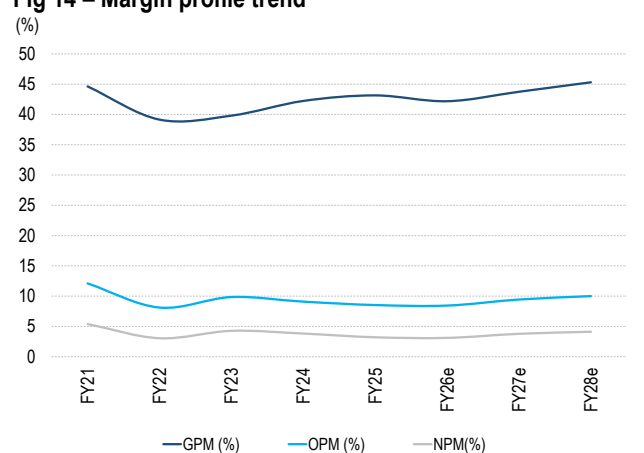
Source: Company, Anand Rathi Research

Fig 13 – Revenue trend



Source: Company, Anand Rathi Research

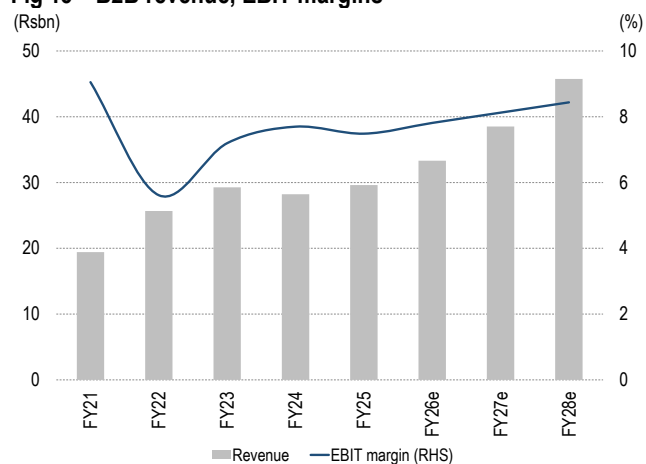
Fig 14 – Margin profile trend



Source: Company, Anand Rathi Research

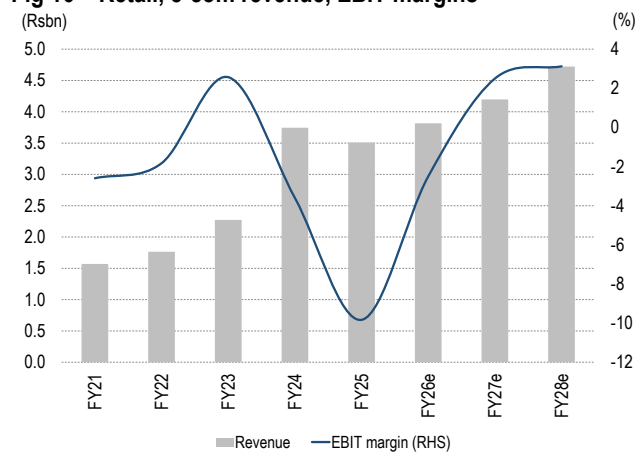
Story in charts continues

Fig 15 – B2B revenue, EBIT margins



Source: Company, Anand Rathi Research

Fig 16 – Retail, e-com revenue, EBIT margins



Source: Company, Anand Rathi Research

Outlook and Valuations

We see bright prospects for Nilkamal due to its market-share gains from the grey sector, a sharper focus on non-plastic furniture and on online sales, rising industrial activity and deeper e-commerce penetration. Its wide distribution network, plants at various sites and lean balance sheet are key strengths.

We expect revenue to grow, supported by expanded capacities incl. the greenfield plant at Hosur (manufacturing modular furniture and foam). We believe the B2B demand-pricing context would improve. Besides, more ad-spend to increase product visibility would drive retail and e-com revenue. Profitability is expected to rise led by rationalisation of expenses in the retail business owing to restructuring.

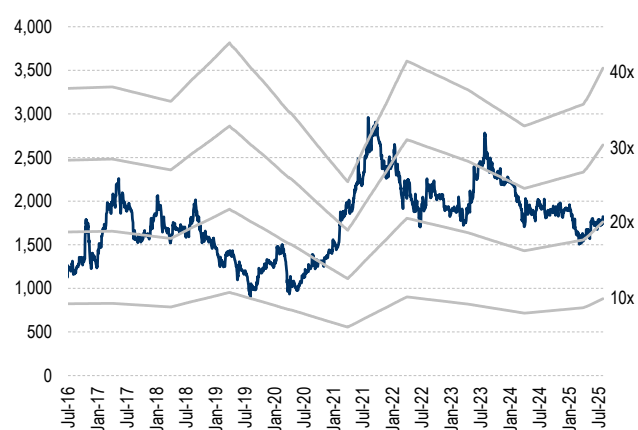
We introduce FY28e and expect 15.1/25.1% revenue/PAT CAGRs over FY25-28. We retain our Buy rating on the stock, with an unchanged 12-mth TP of Rs 2232, 18x the average FY27e/FY28e EPS (20x FY27e EPS).

Fig 17 – Change in estimates

(Rs m)	Old			New			Variance (%)		
	FY26e	FY27e	FY28e	FY26e	FY27e	FY28e	FY26	FY27	FY28
Sales	35,656	39,834	-	37,137	42,725	50,473	4.2	7.3	-
EBITDA	3,231	3,859	-	3,133	4,032	5,047	(3.0)	4.5	-
EBITDA margins (%)	9.1	9.7	-	8.4	9.4	10.0	(62)	(25)	-
PAT	1,267	1,665	-	1,156	1,618	2,082	(8.8)	(2.8)	-
EPS (Rs)	84.9	111.6	-	77.4	108.5	139.5	(8.8)	(2.8)	-

Source: Anand Rathi Research

Fig 18 – P/E band – One-year-forward



Source: Company, Anand Rathi Research

Fig 19 – P/E band – Mean and standard deviation



Source: Company, Anand Rathi Research

Key risks

- **A slowing economy, industrial capex.** Slow recovery in industrial capex could curb demand for material-handling products, while low economic growth would dampen consumer spending on furniture.
- **Higher input costs, inability to pass them on.** Higher costs of key inputs (polyethylene, polypropylene ~50% of raw material cost) and the company's inability to fully pass them on would eat into profits.
- **Mounting competition.** Keener competition from non-regulated as well as regulated manufacturers could constrain growth and margins.

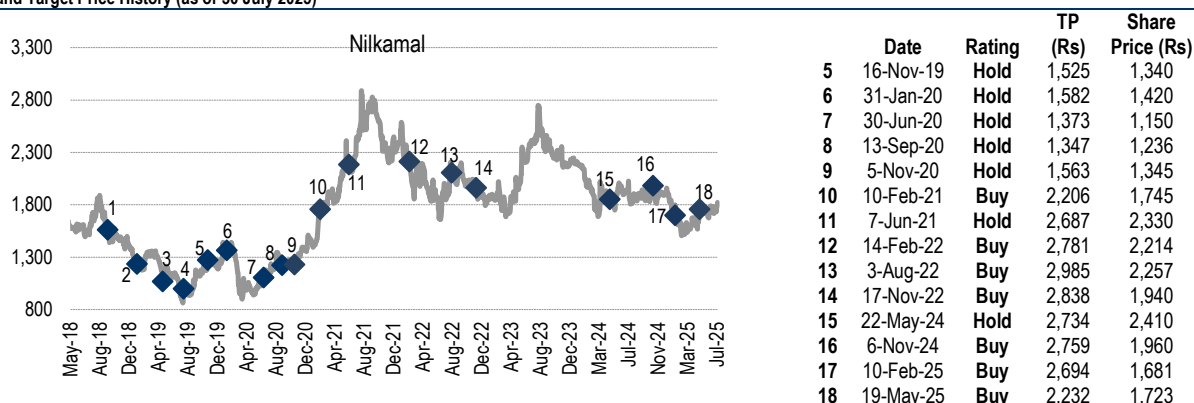
Appendix

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Rating and Target Price History (as of 30 July 2025)



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	Buy	Hold	Sell
Large Caps (Top 100 companies)	>15%	0-15%	<0%
Mid Caps (101st-250th company)	>20%	0-20%	<0%
Small Caps (251st company onwards)	>25%	0-25%	<0%

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