

18 Oct 2017

Initiating Coverage (BUY)

NITIN SPINNERS LTD

CMP

INR 106

Target Price

INR 138

Stock Details

Industry	TEXTILES
Bloomberg Code	NSPL:IN
BSE Code	532698
Face Value (Rs.)	10.00
Market Cap. (Rs. mn)	4,858.0
52wk. Low/High (Adjusted) (Rs.)	61.00/145.00

Shareholding Pattern June '17

Promoter (%)	64.28
FII (%)	0.00
DII (%)	0.00
Public - Other (%)	35.72
No. of Share Outstanding (mn)	45.83

Valuation Summary

	FY 16A	FY 17A	FY 18P	FY 19P
P/E (x)*	06.28	08.50	08.00	07.50
EV/EBITDA (x)	3.76	6.53	5.64	5.20
P/BV (x)	1.35	1.90	1.77	1.62

*TTM for Current Year

 Based on Market Price as on 1st Apr is taken for Each FY

Key Financial

Rs. Mn	FY 16A	FY 17A	FY 18P	FY 19P
Net Sales	7,669	9,334	11,947	14,576
EBITDA	1,378	1,339	1,725	1,904
Net Profit	442	572	698	843
EPS (Rs.)*	09.6	12.5	15.2	18.4

*Un adjusted

Key Ratios

	FY 16A	FY 17A	FY 18P	FY 19P
EBITDA Margin (%)	17.9	14.3	14.4	13.0
EBIT Margin (%)	12.8	9.9	10.3	9.6
Net Pro. Margin (%)	5.8	6.1	5.8	5.8
Debt/Equity (x)	1.17	1.52	1.23	1.00
RoNW (%)	23.7	24.8	24.4	23.9
RoCE (%)	8.9	9.5	9.5	10.4

One Year Price / Volume



We recommend 'BUY' on NITIN SPINNERS LTD for a target of INR 138 - valuing the company at P/E 7.5x of FY19E Earning.

INVESTMENT RATIONALE:

- Global market presence complements value-added offerings.
- Its plants are flexible enough to switch product lines as per customers' needs.
- Dedicated R&D centre complements quality requirements.
- Efficient Quality Control.
- Strong growth in Bed linen sales volumes.
- Recent expansion of spinning capacity compact spindles will further enable the company to produce superfine premium yarns.
- In the case of exports, exposure is fully covered through forward contracts.

VALUATIONS AND VIEW:

Nitin Spinners offers extensive range of products across its yarn and knitted fabric businesses. It is one of India's leading manufacturer of 100% cotton yarn and knitted fabrics. The Company believes in delivering high standards of quality and plays a significant role in the global textile arena. The Company has marquee clients across the European, US and Asian Pacific countries and the domestic market as well. **We value the business at 7.50x FY19E EPS and recommend a BUY rating on the stock with a target price of INR 138 per share.**

RISK & CONCERS

- **Foreign Exchange Risk:** The Company has considerable exposure in foreign currency as the export constitutes about 63% of the total turnover. In the market determined exchange rate regime and volatility in the forex market affects realisation of the Company.
- **Finance Risks:** The Company has financed a substantial part of its expansion plans through debt. The debt agreements are subject to financial covenants.
- **Commodity Price Risk:** The Company is exposed to the risk of price fluctuation on cotton and coal well as finished goods. Input costs, being based on agriculture, are influenced not only by the vagaries of nature but also government policies and the movements in the international market.

COMPANY BACKGROUND:

Nitin Spinners Limited, established in 1992 and headquartered in Bhilwara (Rajasthan), is one of India's leading manufacturer of 100% cotton yarn and knitted fabrics. An ISO 9001:2008 certified, the Company believes in delivering high standards of quality and plays a significant role in the global textile arena. The Company has marquee clients across the European, US and Asian Pacific countries and the domestic market as well.

The Company offers extensive range of products across its yarn and knitted fabric businesses. Located in North West India at Bhilwara, Rajasthan, our stringent commitment to Global standards of Quality has seen us grow phenomenally over the last decade. The company has kept up pace with changing global customer demands for textiles and has focused its attention on select core products. Such a focus has enabled the company to play a dominant role in the global textile arena.

Products-

- Yarns
- Knitted Fabrics
- Product Application

INDUSTRY OVERVIEW:

The Textile Industry plays a significant role in the Indian economy. It constitutes 20% of Industrial Production, contributes around 10% to the Export revenues and 20% to the employment in the Industrial Sector. India further accounts for 20% of the global installed capacity of spindles and is one of the largest exporters of yarns in the international market. The industry is driven by the following strengths:

- Availability of a wide variety of cotton fibre
- Fast growing synthetics-fibre industry
- Wide range of cotton/spun yarn
- Presence across the value chain
- Trained manpower-technical and managerial

With these fundamental advantages, the overall picture of the Indian textile and apparel sector presents an enormous potential.

PEER COMPARISON

Company	CMP (Rs)	P/E*	Mcap (Rs Cr)	Div Yld (%)	NP Qtr (Rs Cr)	Qtr Profit Var (%)	Sales Qtr (Rs Cr)	Qtr Sales Var (%)	CMP/BV
Welspun India	64	8.4	6,390.1	1.02	128.6	(38.39)	1,539.4	(3.34)	2.53
Vardhman Textile	166	20.3	659.0	1.15	139.3	(7.19)	1,479.8	5.69	5.24
SRF	1,723	26.4	9,894.9	0.75	88.5	(31.71)	1,036.5	5.25	3.06
Trident	102	14.9	5,174.9	1.48	88.9	13.37	1,168.4	1.76	1.84
Arvind Ltd	393	32.4	10,170.1	0.61	56.8	(16.77)	2,475.0	17.63	2.81
Binny	224	1.6	500.9	-	(1.2)	(58.97)	0.0	-	1.36
Nitin Spinners	107	8.0	5,583.5	1.12	12.7	3.50	287.3	48.43	1.90

*TTM

FINANCIAL OVERVIEW

Q2 FY17 Performance Highlight

(in Million)	16-Jun	16-Sep	16-Dec	17-Mar	17-Jun	YoY (%)	QoQ (%)
Revenue	1,936.68	2,068.76	2,482.43	2,853.62	2,872.46	48.32%	0.66%
Other Income	0.03	0.1	0.02	0.02	1.9		
Total Income	1,936.71	2,068.86	2,482.45	2,853.64	2,874.36	48.41%	0.73%
Expenditure	-1,627.60	-1,748.87	-2,145.96	-2,543.52	-2,540.12		
As a % of Sales	84.04%	84.54%	86.45%	89.13%	88.43%		
Interest	-58.19	-50.22	-50.59	-63.42	-80.88	38.99%	27.53%
PBDT	250.92	269.77	285.89	310.12	334.24		
As a % of Sales	12.96%	13.04%	11.52%	10.87%	11.64%		
Depreciation	-98.47	-99.68	-99.69	-118.67	-141.31		
PBT	152.45	170.09	186.2	191.45	192.93	26.55%	0.77%
As a % of Sales	7.87%	8.22%	7.50%	6.71%	6.72%		
Tax	-30.22	-29.62	-34.55	-34.3	-65.66	117.27%	91.43%
Net Profit	122.23	140.47	151.65	157.16	127.28	4.13%	-19.01%
As a % of Sales	6.31%	6.79%	6.11%	5.51%	4.43%		
Equity	458.34	458.34	458.34	458.34	458.34	0.00%	0.00%
EPS (Rs)	2.67	--	--	3.43	2.76	3.37%	-19.53%
CEPS (Rs)	4.82	5.24	5.48	6.02	5.86		
OPM %	15.96	15.47	13.55	10.87	11.64		
NPM %	6.31	6.79	6.11	5.51	4.43		

Income Statement (Consolidated)

Y/E Mar (Rs mn)	FY 14A	FY 15A	FY 16A	FY 17A	FY 18E	FY 19P	FY 20P
Net Sales	4,883	6,165	7,669	9,334	11,947	14,576	17,491
Other Operating Income	3	51	7	8	11	40	24
Expenditure	3,944	5,173	6,298	8,003	10,232	12,712	15,295
EBITDA	943	1,043	1,378	1,339	1,725	1,904	2,220
Depreciation	249	279	396	417	495	505	516
EBIT	694	764	982	923	1,230	1,399	1,704
Interest Expenses	175	226	330	222	399	418	543
PBT	520	537	652	700	831	981	1,161
Tax	172	128	210	129	133	138	143
Extraordinary Items	-	-	-	-	-	-	-
Net Income Before Adjustment	348	410	442	572	698	843	1,018
Minority Int./Income from Assoc.	-	-	-	-	-	-	-
Adjusted PAT	348	410	442	572	698	843	1,018

Balance Sheet (Consolidated)

Y/E Mar (Rs mn)	FY 14A	FY 15A	FY 16A	FY 17A	FY 18E	FY 19P	FY 20P
Equity share capita	458	458	458	458	458	458	458
Reserves & surplus	857	1,212	1,598	2,103	2,702	3,444	4,340
Share Warrants	-	-	-	-	-	-	-
Misc Expenditure	-	-	-	-	-	-	-
Net worth	1,316	1,670	2,056	2,562	3,161	3,903	4,798
Minority Interest	-	-	-	-	-	-	-
Loan Funds	1,307	2,942	2,409	3,894	3,896	3,894	3,892
Net deferred tax liability	211	339	433	539	539	539	539
Other Long-term Liabilities	-	-	-	-	-	-	-
Long-term Provisions	24	43	53	76	97	119	142
Total Liabilities	2,858	4,995	4,953	7,073	7,694	8,457	9,374
Net block	2,124	4,167	3,991	6,143	8,789	8,483	8,167
Investment, Loan & Adv.	300	273	307	437	559	682	818
Total Current Assets	1,116	1,659	2,052	2,655	3,144	4,472	5,973
Current Liabilities & Provisions	682	1,105	1,399	2,163	4,799	5,183	5,586
Net Current Assets	434	554	653	492	(1,655)	(711)	387
Total Assets	2,858	4,995	4,953	7,073	7,694	8,457	9,374

Cash Flow (Consolidated)

Y/E Mar (Rs mn)	FY 17A	FY 18E	FY 19P	FY 20P
Operating Cash Flow	592	170	1,099	1,322
Cash Flow from Investments	(2,421)	(272)	(323)	(336)
Cash Flow from Financing	1,837	(163)	(202)	(311)
Net Changes in Cash	7	(265)	575	675
Opening Cash	6	13	(252)	323
Closing Cash Balance	13	(252)	323	998

Research Analyst Details

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