

Nitin Spinners Ltd.

Continues To Spin Profits | Promising Times Ahead

Nitin Spinners Ltd (NSL) continued its stellar performance in Q4FY22.

Sales at Rs7,691 mn - up 50.3% YoY & 9.1% QoQ,
EBITDA at Rs1,674 mn - up 60.7% YoY but down 6.0% QoQ,
EBITDA Margin 21.8% up 140bps but down 349bps QoQ
PAT at Rs855mn - up 99.4% YoY but down 8.4% QoQ,

The growth in the business led to near 100% capacity utilization of all products. Gross margins remain well supported, however declined QoQ due to lag in pass through of higher cotton prices. Nitin reported a cash profit of Rs1070 mn. Exports contributed ~73% of revenue for FY22 as the company was able to get higher margins. We retain our Buy rating on the stock with a TP of Rs740 (10X FY24 EPS).

Strong operational performance:

- § Yarn volume at 13,439 MT was +8.4% YoY/ -5.6% QoQ. Realization at ~Rs.404/kg was up 32.5% YoY/ 15.5% QoQ.
- § Knitted fabric volume at 1843 MT was -7.5% YoY/ +2.5% QoQ.
- § Woven fabric volume at 67.5 mn mtrs was +3.8% YoY/ +0.6% QoQ.
- § NSL's strong international franchise and the ban on Chinese cotton led to sharp jump in exports and helped it to maintain high margins despite the sharp rise in cotton prices.

Future Outlook:

The strong tailwind for the textile sector triggered by China +1 strategy and ban on Chinese cotton, textile sector is on the cusp of similar growth opportunities as chemical sector was few years back. Hence, we are very optimistic on the future growth potential of the sector. Until the proposed capacity expansion goes on stream, Expected by Q3FY24, near term volume growth for NSL would be moderate as the company is operating at almost full capacity. We see NSL very well positioned to capture these growth opportunities as the proposed expansion is very well timed.

Risks to our call:

- § The company is operating at near full capacity any delay in proposed brownfield expansion could risk our FY24 projections.
- § Compression in Yarn Spread if Domestic cotton price increase more than international cotton prices.

Y/E Mar (Rs mn)	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)
Net sales	7,691	5,116	50.3%	7,049	9.1%
Operating costs	6,016	4,074	206.4%	5,268	15.8%
EBITDA	1,674	1,042	-156.1%	1,781	-6.7%
EBITDA Margin (%)	21.8%	20.4%	140bps	25.3%	-349bps
Depreciation	215	221	-2.7%	219	-1.5%
Interest	140	158	-11.5%	135	4.1%
Other income	5	2	204.4%	4	16.6%
PBT	1,324	664	99.3%	1,432	-7.5%
PAT (Reported)	855	429	99.4%	933	-8.4%
Adjusted EPS (Rs)	15.2	7.6	1.0	10.7	0.4

Source: Company, EISEC Research

Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	EPS (Rs)	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY20	14,381	15.7%	1,698	11.8%	238	-62.8%	4.2	5.2%	4.1%	13.3	2.1
FY21	16,244	13.0%	2,573	15.8%	689	189.2%	12.3	13.0%	6.9%	4.2	4.8
FY22	26,923	65.7%	6,516	24.2%	3,307	380.1%	58.8	49.1%	21.7%	5.3	4.0
FY23E	29,133	8.2%	6,180	21.2%	3,417	4.8%	60.8	33.5%	19.4%	3.7	3.4
FY24E	34,333	17.8%	7,175	20.9%	4,161	21.8%	74.0	31.0%	17.7%	3.0	3.4

Source: Company, EISEC Research Estimates

Rating: Buy Upside/(Downside): 229%
Current Price: 225 Target Price: 740

Market data

Bloomberg:	NSPL IN
52-week H/L (Rs):	346 /97
Mcap (Rs bn/USD bn):	12.6/0.17
Shares outstanding (mn):	56.22
Free float:	43.7%
Daily vol. (3mth Avg)	23.6 mn
Face Value (Rs):	10
Index:	S&P BSE SmallCap

Source: Bloomberg, EISEC Research

Shareholding pattern

	Mar-22	Dec-21	Sep-21	Jun-21
Promoter	56.3	56.3	56.2	56.2
FIs	4.8	4.0	2.7	1.2
DIs	4.6	4.2	4.1	6.8
Public/others	34.3	35.5	37.0	35.8

Source: BSE

Price performance (%)*

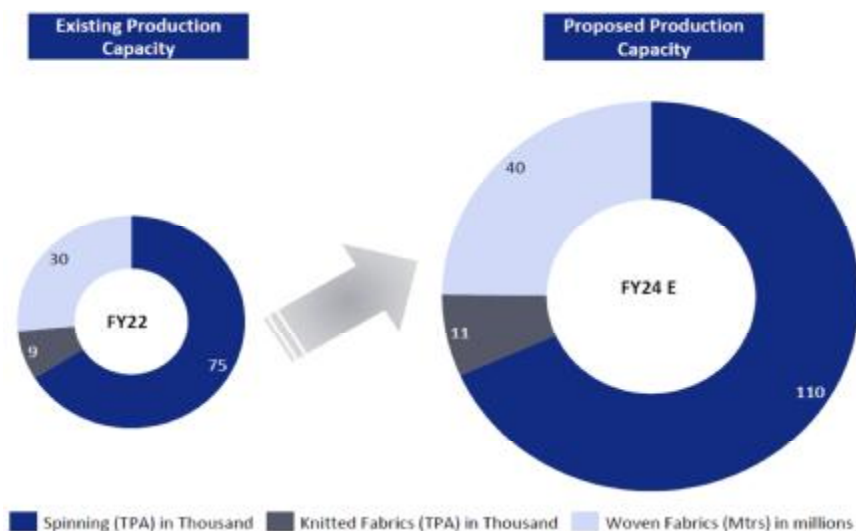
YE Mar (R)	1M	3M	6M	12M
BSE Smallcap	-14.3	-11.2	-13.4	12.7
Nitin Spinners	-10.4	-24.9	-9.6	119.7

*as on 16 May 2022; Source: Ace Equity, EISEC Research

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Conference Call Highlights

- Export demand remained strong as the company exported ~73% of its production to over 50 countries across the globe during FY22.
- Nitin increased its focus on value added products such as organic cotton, recycled fibers, lycra blended yarns and fabrics.
- Due to pick up in domestic demand, cotton price hikes are being passed on to customers albeit with a lag of one quarter.
- Nitin is operating at full/ near full capacity in all products and volume growth can be expected in the fabric segment, in the short term.
- Company has planned capacity expansion across all the segments Spinning, Knitting, Weaving & Finishing in order to increase its presence in cotton blended Yarns and fabrics.
- Land is available for the expansion, which is expected to be completed by Q4FY24. Company plans to fund the estimated project cost of Rs9.5 bn with a combination of debt of Rs.6.5 bn and balance from internal accruals. The net interest cost is expected to be 2.75% p.a. (after accounting for interest subsidy from Rajasthan Investment Promotion Scheme).



Source: Company, EISEC Research

- Nitin does not expect a glut in capacity supply in the next 1-2 years despite several textile manufacturers planning an expansion.
- Company would not be participating in the central government's PLI scheme as it is targeted at green field capacities in new entities.

Quarterly financials, operating metrics and key performance indicators

Quarterly Financials

Y/E March (Rs mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Net Sales	2,191	4,269	4,668	5,116	5,536	6,647	7,049	7,691
Raw Materials	1,513	3,143	3,233	3,339	3,361	3,540	3,814	4,548
Employee Costs	236	270	315	296	331	323	348	324
Other Expenditure	207	302	380	439	558	1,008	1,106	1,144
EBITDA	236	554	741	1,042	1,286	1,775	1,781	1,674
Depreciation	232	228	229	221	222	218	219	215
Interest	150	146	161	158	137	142	135	140
Other Income	8	1	9	2	2	7	4	5
PBT	(139)	180	359	664	929	1,422	1,432	1,324
Tax	(47)	61	126	236	329	502	500	470
Tax rate (%)	33.9%	33.9%	35.2%	35.5%	35.4%	35.3%	34.9%	35.5%
PAT	(91)	119	232	429	600	919	933	855
YoY Growth (%)								
Revenue	-22.6%	14.6%	16.1%	34.6%	152.6%	55.7%	51.0%	50.3%
EBITDA	-38.1%	57.7%	75.5%	91.6%	446.1%	220.3%	140.4%	60.7%
Adj. PAT	NA	1519.4%	300.8%	557.4%	-755.9%	671.3%	301.2%	99.4%
QoQ Growth (%)								
Revenue	-42.4%	94.8%	9.3%	9.6%	8.2%	20.1%	6.1%	9.1%
EBITDA	-56.7%	135.3%	33.7%	40.7%	23.4%	38.0%	0.4%	-6.0%
Adj. PAT	NA	-230.3%	95.0%	84.4%	40.0%	53.2%	1.4%	-8.4%
Margin (%)								
EBITDA	10.7%	13.0%	15.9%	20.4%	23.2%	26.7%	25.3%	21.8%
PAT	-4.2%	2.8%	5.0%	8.4%	10.8%	13.8%	13.2%	11.1%

Source: Company, EISEC Research

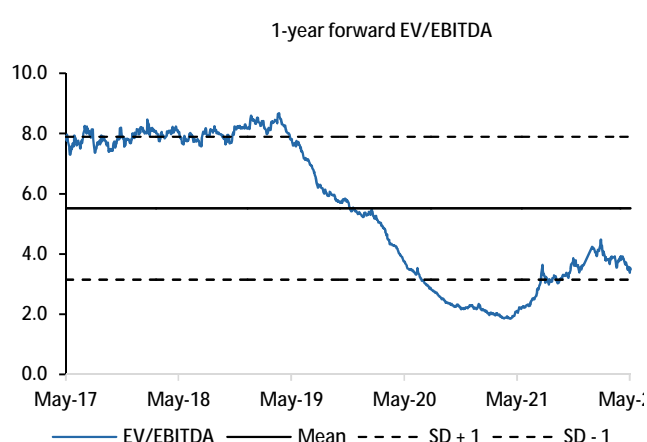
Valuation

Fig 1: 1-year forward P/E chart



Source: AceEquity, EISEC Research

Fig 2: 1-year forward EV/EBITDA chart



Source: AceEquity, EISEC Research

Financial Statements

Inc.Stat.	FY20	FY21	FY22	FY23E	FY24E
YE Mar (Rs mn)					
Revenues	14,381	16,244	26,923	29,133	34,333
% Growth	15.7%	13.0%	65.7%	8.2%	17.8%
Raw Material	10,767	11,249	15,264	16,556	19,570
% of sales	74.9%	69.2%	56.7%	56.8%	57.0%
Personnel	943	1,118	1,327	1,653	2,080
% of sales	6.6%	6.9%	4.9%	5.7%	6.1%
Man.O. Exp.	973	1,305	3,816	4,744	5,507
% of sales	6.8%	8.0%	14.2%	16.3%	16.0%
EBITDA	1,698	2,573	6,516	6,180	7,175
EBITDAM (%)	11.8%	15.8%	24.2%	21.2%	20.9%
Depreciation	807	910	874	1,022	1,022
EBIT	891	1,662	5,642	5,158	6,154
Finance cost	556	616	553	632	632
EBT	335	1,046	5,089	4,527	5,522
Other Inc	21	19	18	41	41
Except.Inc.	0	0	0	0	0
PBT	356	1,065	5,107	4,568	5,563
Tax-Total	118	376	1,800	1,151	1,402
Tax Rate (%)	33.2%	35.3%	35.3%	25.2%	25.2%
Rep.PAT	238	689	3,307	3,417	4,161
PAT Margin	1.7%	4.2%	12.1%	11.7%	12.1%
% Growth	-67.9%	156.0%	185.7%	-3.2%	3.3%

Source: Company, EISEC Research Estimates

Key Ratios	FY20	FY21	FY22	FY23E	FY24E
YE Mar					
Growth Ratios (%)					
Net Sales	15.7%	13.0%	65.7%	8.2%	17.8%
EBITDA	-4.7%	51.5%	153.3%	-5.2%	16.1%
Adjusted Net Profit	-62.8%	189.2%	373.5%	4.8%	21.8%
Margin Ratio (%)					
EBITDA Margin	11.8%	15.8%	24.2%	21.2%	20.9%
EBIT Margin	6.2%	10.2%	21.0%	17.7%	17.9%
PBT margins	2.5%	6.6%	19.0%	15.7%	16.2%
PAT Margin	1.7%	4.2%	12.1%	11.7%	12.1%
Return Ratios					
ROE	5.2%	13.0%	48.3%	33.5%	31.0%
ROCE	4.1%	6.9%	21.8%	19.4%	17.7%
ROIC	4.0%	6.8%	21.8%	19.9%	18.8%
Turnover Ratios (days)					
Gross Block Turnover (x)	1.4	1.2	1.9	1.9	1.7
Inventory	67	80	75	75	75
Debtors	39	37	37	37	37
Creditors	15	20	20	20	20
Cash Conversion Cycle	91	97	92	92	92
Solvency ratio (x)					
Debt-equity	2.1	1.7	0.9	0.8	0.9
Net Debt-Equity	2.1	1.7	0.9	0.7	0.8
Gross Debt/EBITDA	0.2	3.7	1.2	1.5	1.9
Current ratio	8.0	6.5	11.6	7.2	7.3
Interest coverage ratio	1.6	2.7	10.2	8.2	9.8
Dividend					
DPS (Rs.)	0.6	1.5	4.0	9.1	11.1
Dividend Yield (%)	1.1%	2.9%	1.8%	4.1%	4.9%
Dividend Pay-out (%)	14.2%	12.2%	6.8%	15.0%	15.0%
Per share (Rs.)					
EPS	4.2	12.3	58.0	60.8	74.0
BV	87.9	100.2	155.8	207.4	270.4
Valuation					
P/E	13.3	4.2	3.9	3.7	3.0
P/BV	0.6	0.5	1.5	1.1	0.8
EV/EBITDA	2.1	4.8	3.1	3.4	3.4

Source: Company, EISEC Research Estimates

Balance Sheet	FY20	FY21	FY22	FY23E	FY24E
YE Mar (Rs mn)					
Sources of funds					
Capital	562	562	562	562	562
Reserves & Surplus	4,377	5,071	8,196	11,100	14,637
Shareholders' Funds	4,940	5,633	8,758	11,662	15,200
Minority Interest	0	0	0	0	0
Total Loan Funds	10,404	9,472	7,535	9,535	13,385
Deferred tax liabilities	333	535	1,251	1,251	1,251
Non-Current Liabilities	167	197	49	49	49
Total Liabilities	15,844	15,837	17,594	22,499	29,886
Application of funds					
Gross Block	13,698	13,813	13,828	17,129	23,459
Accumulated Dep.	2,317	3,228	4,102	5,123	6,145
Net Block	11,396	10,597	10,119	12,018	17,327
Capital WIP	0	16	1	30	30
Net Assets	11,396	10,613	10,120	12,048	17,357
Investments	0	0	0	0	0
Other non current assets	165	117	581	581	581
Inventories	2,647	3,547	4,063	5,986	7,055
Sundry Debtors	1,528	1,658	2,407	2,953	3,480
Cash & Bank Balances	4	8	6	1,377	1,940
Other current Assets	713	820	1,067	1,154	1,360
Total Current Assets	4,892	6,033	7,543	11,471	13,836
Sundry Creditors	592	910	644	1,596	1,881
Provisions	16	16	5	6	7
Total Current Liabilities	608	926	649	1,602	1,888
Net Current Assets	4,283	5,108	6,893	9,869	11,947
Total Assets	15,844	15,837	17,594	22,499	29,886

Source: Company, EISEC Research Estimates

Cash Flow	FY20	FY21	FY22	FY23E	FY24E
Operating profit before WC changes					
Operating profit before WC changes	1,619	2,439	5,549	5,029	5,773
Net chg. in working capital	(637)	(890)	(1,234)	(1,604)	(1,516)
Cash flow from operating activities (a)	982	1,549	4,314	3,424	4,258
Capital expenditure	(2,172)	(124)	(925)	(2,951)	(6,330)
Free Cash Flow	(1,190)	1,424	3,390	474	(2,072)
Cash flow from investing activities (b)	(2,167)	(112)	(859)	(2,909)	(6,289)
Cash flow from financing activities (c)	1,159	(1,438)	(3,453)	856	2,594
Net chg. in cash (a+b+c)	(26)	(1)	2	1,371	563

Source: Company, EISEC Research Estimates

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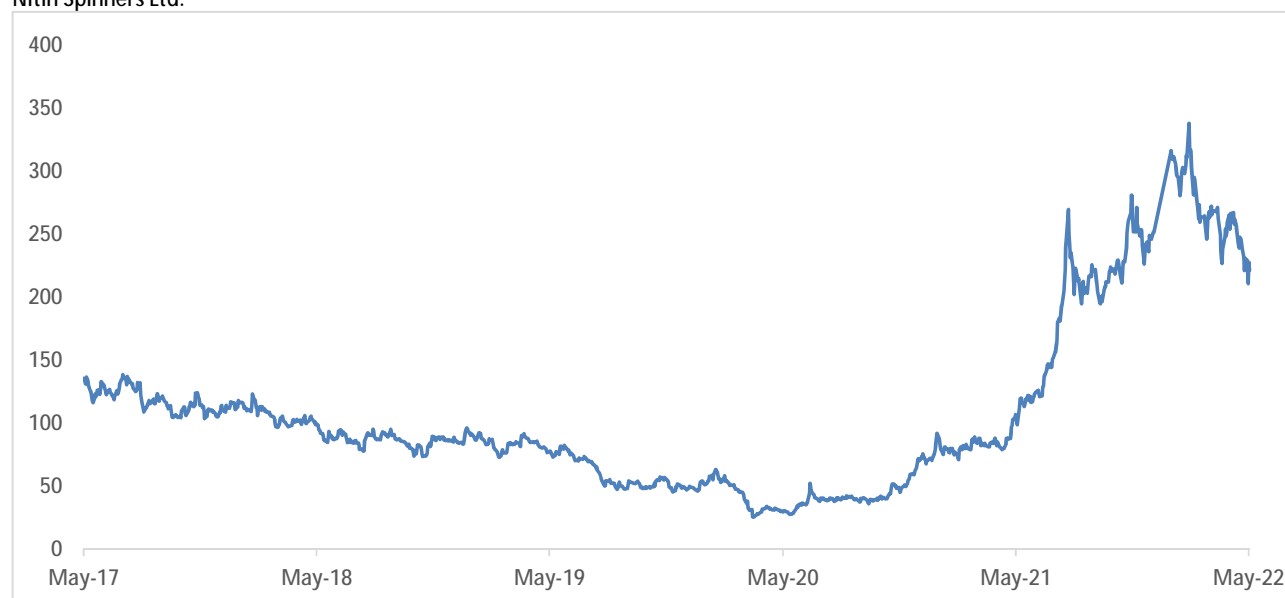
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Nitin Spinners Ltd.



Source: ACE Equity, EISEC Research

Analyst holding in stock: NO

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Buy: Upside by >15%, Accumulate: Upside by 5% to 15%, Hold: Downside/Upside by -5% to +5%, Reduce: Downside by 5% to 15%, Sell: Downside by >15%

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