

Nitin Spinners Ltd.

Beat on all counts, Business ramping up well despite covid issues

Nitin Spinners Ltd (Nitin) came out with a better-than-expected performance during Q4FY19 with strong operational performance. The company registered a sales growth of 21.3% YoY to Rs 3,801 mn, driven by ~16% YoY volume growth in yarn business. The YoY growth in the business was well supported by the increasing capacity utilization of new woven fabric business. Although realization in yarn segment was down 5% YoY, gross margin of overall business improved by 300 bps YoY because of the correction in cotton prices and contributions from the new woven fabric division. Sequentially, Nitin posted a strong improvement of 381bps in EBITDA margin as despite flattish cotton prices, the company was getting good prices for its products. EBITDA grew by 16.3% YoY/ 28.8% QoQ to Rs 544 mn. Nitin reported a flattish cash profit of Rs 310 mn. The company has already hit ~70% capacity utilization during June month after lockdown got lifted as the company is getting decent export orders. We continue to maintain our Buy rating on the stock of the company.

Strong operational performance:

- The company registered a volume growth of 16% YoY/ (19.5) % QoQ for the Yarn Segment to 11,944 MT, however realizations fell by (4.7) % YoY/ 8.2% QoQ on account of market factors to ~Rs.221.2.
- Knitted fabric sales volume was lower for the quarter. The segment de-grew by 26.7% YoY/12.7% QoQ to 1,567 MT.
- Woven fabric sales ramping up very well and were higher for the quarter. The segment grew by 29.5% QoQ to 57 MT.
- EBITDA grew by 16.3% YoY/ 28.8% QoQ to Rs 544 mn.
- Depreciation (higher by 80.8%) and interest cost (higher by 157%) due to capacity expansion led to a 63.5% YoY PAT decline to Rs 65 mn, however on a QoQ basis PAT was higher by 12.4%.
- Nitin reported a flattish cash profit of Rs 310 mn.

Valuation and risks:

- We believe going ahead the company should be firing on all cylinders with its processing unit comes on-stream. As cotton prices stabilises at current levels, margins are going to improve going forward.
- We believe the company would register a CAGR growth of 15%/70% in Revenue/PAT during FY20E-FY22E.
- We assign 8 PE multiple to FY22E earnings and arrive at a target price Rs 96. Hence, we maintain our Buy rating.
- Risk to our call is rise of cotton price and fall in yarn realization.

Y/E Mar (Rs mn)	Q4FY20	Q4FY19	Y-o-Y (%)	Q3FY20	Q-o-Q (%)	FY20	FY19	Y-o-Y (%)
Net sales	3,801	3,132	21.3%	4,022	-5.5%	14,381	12,425	15.7%
Operating costs	3,257	2,665	22.2%	3,600	-9.5%	12,683	10,644	19.2%
EBITDA	544	468	16.3%	422	28.8%	1,698	1,781	-4.7%
EBITDA Margin (%)	14.3%	14.9%	(62)bps	10.5%	381bps	11.8%	14.3%	(253)bps
Depreciation	244	135	80.8%	213	14.6%	807	546	47.7%
Interest	207	80	157.1%	135	53.3%	556	289	92.2%
Other income	6	9	-29.2%	8	-19.3%	21	28	-23.2%
PBT	99	261	-62.0%	82	21.1%	356	973	-63.4%
PAT (Reported)	65	179	-63.5%	58	12.4%	238	641	-64.4%
Adjusted EPS (Rs)	1.16	3.18		1.03		4.24	11.43	

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)
FY18	11,452	22.7%	1,549	13.5%	524	-8.7%	9.3	15.4%	9.2%	11.1	3.9
FY19	12,425	8.5%	1,781	14.3%	641	22.4%	11.4	14.3%	7.7%	7.7	5.7
FY20	13,711	10.3%	1,697	12.4%	238	-62.8%	4.2	5.2%	4.3%	8.7	6.9
FY21E	14,168	3.3%	1,828	12.9%	177	-25.7%	3.2	3.5%	4.1%	11.7	6.0
FY22E	18,047	15.0%	2,524	14.0%	671	279.1%	11.9	12.5%	7.3%	3.1	4.1

Source: Company, EISEC Research Estimates



East India Securities Ltd
Excellent | Investment | Solutions

Rating: Buy Upside/(Downside): 157%

Current Price: 37 Target Price: 96

Market data

Bloomberg:	NSPL IN
52-week H/L (Rs):	44 /94
Mcap (Rs bn/USD bn):	2.0/0.03
Shares outstanding (mn):	56.22
Free float:	44.2%
Avg. daily vol. 3mth (3M Avg – in '000):	40
Face Value (Rs):	10
Index:	S&P BSE SmallCap

Source: Bloomberg, EISEC Research

Shareholding pattern

	Mar-20	Dec-19	Sep-19	Jun-19
Promoter	55.9	55.8	55.8	55.8
FIIIs	0.0	0.0	0.0	0.0
DIIIs	16.2	16.2	16.1	16.2
Public/others	27.9	28.0	28.1	28.0

Source: BSE

Price performance (%)*

YE Mar (R)	1M	3M	12M	24M
BSE Smallcap	16.7	18.9	-14.2	-22.6
Nitin Spinners	24.8	21.5	-47.5	-59.0

*as on 19th Jun 2020; Source: Ace Equity, EISEC Research

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Quarterly financials, operating metrics and key performance indicators

Quarterly Financials

Y/E March (Rs mn)	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Net Sales	3,001	3,113	3,179	3,132	2,831	3,726	4,022	3,801
Raw Materials	1,831	1,962	2,031	1,991	1,757	2,485	2,623	2,274
Employee Costs	165	171	170	174	175	227	265	276
Other Expenditure	565	533	552	499	519	663	712	707
EBITDA	440	447	426	468	380	351	422	544
Depreciation	136	137	138	135	137	213	213	244
Interest	72	67	70	80	84	130	135	207
Other Income	7	6	6	9	5	3	8	6
PBT	239	249	224	262	164	11	82	99
Tax	85	85	80	83	56	4	24	34
Tax rate (%)	35.6%	34.1%	35.7%	31.7%	34.1%	36.4%	29.3%	34.3%
PAT	154	164	144	179	108	7	58	65

YoY Growth (%)								
Revenue	4.5%	9.4%	10.7%	9.3%	-5.7%	19.7%	26.5%	21.4%
EBITDA	6.5%	33.5%	11.7%	11.4%	-13.6%	-21.5%	-0.9%	16.2%
Adj. PAT	21.0%	97.4%	-14.1%	22.6%	-29.9%	-95.7%	-59.7%	-63.6%
QoQ Growth (%)								
Revenue	4.7%	3.7%	2.1%	-1.5%	-9.6%	31.6%	7.9%	-5.5%
EBITDA	4.8%	1.6%	-4.7%	9.9%	-18.8%	-7.6%	20.2%	28.9%
Adj. PAT	5.5%	6.5%	-12.2%	24.3%	-39.7%	-93.5%	728.6%	12.4%
Margin (%)								
EBITDA	14.7%	14.4%	13.4%	14.9%	13.4%	9.4%	10.5%	14.3%
PAT	5.1%	5.3%	4.5%	5.7%	3.8%	0.2%	1.4%	1.7%

Source: Company, EISEC Research

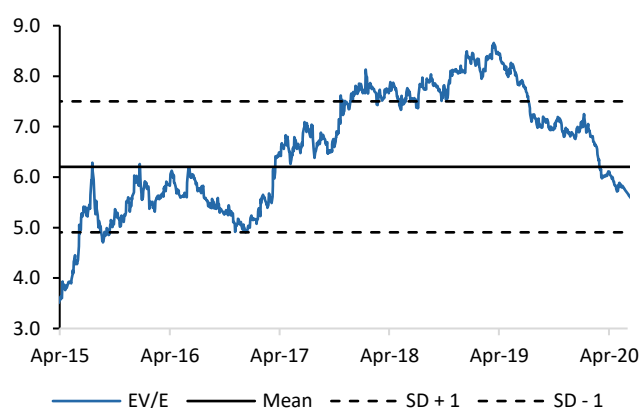
Valuation

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.	FY18	FY19	FY20	FY21E	FY22E
YE Mar (Rs mn)					
Revenues	11,452	12,425	13,711	14,168	18,047
% Growth	22.7%	8.5%	10.3%	3.3%	15.0%
Raw Mat	7,276	7,815	8,893	9,068	11,460
% of sales	63.5%	62.9%	64.9%	64.0%	63.5%
Personnel	607	680	722	764	941
% of sales	5.3%	5.5%	5.3%	5.4%	5.2%
Man.O. Exp.	2,021	2,150	2,399	2,508	3,122
% of sales	17.6%	17.3%	17.5%	17.7%	17.3%
EBITDA	1,549	1,781	1,697	1,828	2,524
EBITDA.M(%)	13.5%	14.3%	12.4%	12.9%	14.0%
Depreciation	562	546	807	928	940
EBIT	987	1,234	890	900	1,584
Finance cost	295	289	556	648	580
EBT	692	945	334	252	1,004
Other Inc	23	28	23	20	29
Except.Inc.	0	0	0	0	0
PBT	714	973	356	272	1,033
Tax-Total	190	332	118	95	362
Tax Rate (%)	26.7%	34.1%	33.1%	35.0%	35.0%
Rep.PAT	524	641	238	177	671
PAT Margin	4.6%	5.2%	1.7%	1.3%	3.7%
% Growth	-8.7%	22.4%	-62.8%	-25.7%	279.1%

Source: Company, EISEC Research Estimates

Key Ratios	FY18	FY19	FY20	FY21E	FY22E
YE Mar					
Growth Ratios (%)					
Net Sales	22.7%	8.5%	10.3%	3.3%	15.0%
EBITDA	16.1%	14.9%	-4.7%	7.8%	38.0%
Adjusted Net Profit	-8.7%	22.4%	-63.9%	-23.5%	279.1%
Margin Ratio (%)					
EBITDA Margin	13.5%	14.3%	12.4%	12.9%	14.0%
EBIT Margin	8.6%	9.9%	6.5%	6.4%	8.8%
PBT margins	6.2%	7.8%	2.6%	1.9%	5.7%
PAT Margin	4.6%	5.2%	1.7%	1.3%	3.7%
Return Ratios					
ROE	15.4%	14.3%	5.2%	3.5%	12.5%
ROCE	9.2%	7.7%	4.3%	4.1%	7.3%
ROIC	9.0%	7.6%	4.2%	4.0%	7.2%
Turnover Ratios (days)					
Gross Block Turnover (x)	2.0	1.3	1.3	1.3	1.8
Inventory	65	67	67	67	67
Debtors	28	35	39	40	38
Creditors	28	31	35	35	35
Cash Conversion Cycle	66	72	71	72	70
Solvency ratio (x)					
Debt-equity	1.0	1.7	1.9	1.8	1.5
Net Debt-Equity	1.0	1.7	1.9	1.8	1.5
Gross Debt/EBITDA	2.6	4.5	5.7	4.9	3.3
Current ratio	3.7	3.7	3.3	3.4	3.4
Interest coverage ratio	3.4	4.4	1.6	1.4	2.8
Dividend					
DPS (Rs.)	-	-	0.6	1.0	1.4
Dividend Yield (%)	0.0%	0.0%	1.6%	2.6%	3.8%
Dividend Pay-out (%)	0.0%	0.0%	14.2%	31.1%	11.9%
Per share (Rs.)					
EPS	9.3	11.4	4.2	3.2	11.9
BV	75.0	85.8	87.9	90.0	100.6
Valuation					
P/E	11.1	7.7	8.7	11.7	3.1
P/BV	1.4	1.0	0.4	0.4	0.4
EV/EBITDA	3.9	5.7	6.9	6.0	4.1

Source: Company, EISEC Research Estimates

Balance Sheet	FY18	FY19	FY20	FY21E	FY22E
YE Mar (Rs mn)					
Sources of funds					
Capital	556	562	562	562	562
Reserves & Surplus	3,613	4,263	4,377	4,500	5,091
Shareholders' Funds	4,168	4,825	4,940	5,062	5,653
Total Loan Funds	3,980	8,042	9,630	8,952	8,331
Deferred tax liabilities	168	299	333	333	333
Total Liabilities	8,316	13,166	14,902	14,346	14,317
Application of funds					
Gross Block	6,665	6,746	13,698	13,848	13,948
Accumulated Dep.	967	1,510	2,317	3,245	4,185
Net Block	5,698	5,236	11,381	10,603	9,763
Capital WIP	42	4,682	0	0	0
Net Assets	5,740	9,918	11,381	10,603	9,763
Investments	0	0	0	0	0
Inventories	2,055	2,278	2,647	2,601	3,293
Sundry Debtors	881	1,207	1,528	1,553	1,859
Cash & Bank Balances	3	30	5	4	3
Loans and Advances	241	290	180	100	50
Other current Assets	365	640	709	1,028	1,254
Total Current Assets	3,545	4,445	5,069	5,285	6,459
Sundry Creditors	863	1,041	1,381	1,359	1,711
Provisions	107	155	167	183	194
Total Current Liabilities	970	1,197	1,547	1,542	1,905
Net Current Assets	2,576	3,249	3,522	3,744	4,554
Total Assets	8,316	13,166	14,902	14,346	14,317

Source: Company, EISEC Research Estimates

Cash Flow	FY18	FY19	FY20	FY21E	FY22E
Operating profit before WC changes					
	1,411	1,608	1,635	1,753	2,191
Net chg. in working capital	(923)	(646)	(298)	(223)	(812)
Cash flow from operating activities (a)	488	962	1,336	1,530	1,380
Capital expenditure	167	4,723	2,270	150	100
Free Cash Flow	320	(3,761)	(934)	1,380	1,280
Cash flow from investing activities (b)	(167)	(4,723)	(2,270)	(150)	(100)
Cash flow from financing activities (c)	(330)	3,788	908	(1,381)	(1,281)
Net chg. in cash (a+b+c)	(10)	27	(25)	(1)	(1)

Source: Company, EISEC Research Estimates

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Nitin Spinners Ltd.



Source: ACE Equity, EISEC Research

Analyst holding in stock: **NO**

Key to EISEC Investment Rankings

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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