

Nitin Spinners Ltd.

Back on track with a bang, Set to fire on all cylinders

Nitin Spinners Ltd (Nitin) came out with an excellent set of numbers, way above estimates for Q2FY21 as operations got back on track, despite challenging environment. Supported by a well-diversified geographical reach the company registered a sales growth of 14.6% YoY to Rs4,269 mn on account of 12.3%, 11.9% & 37.3% growth in Yarn, Knitted Fabrics & Woven Fabrics segment respectively. Although realization in Yarn & Knitted Fabrics segment was down 5.3% & 5.8% YoY, gross margin of overall business improved by 371 bps YoY because of higher correction in cotton prices and contributions from the new woven fabric division. EBITDA grew by 57.7% YoY to Rs554 mn, with 355 bps margin expansion. Nitin is set to hit ~95%-100% capacity utilization, Q3FY21 onwards. The company has come back with strong set of performance and with Yarn prices firming up margin performance is set to improve further in the coming quarters. We continue to maintain our BUY rating on the stock of the company with a target price of Rs96 per share, 8x FY22e EPS.

Excellent performance, results beat all expectations

- The company has registered a volume growth of 18.6% YoY. The Yarn Segment to 14,694 MT, with realizations falling by 5.3% YoY to Rs202.6/Kg.
- Knitted fabric sales volume was higher for the quarter by 18.7% YoY to 1,791 MT, with realizations falling by 5.8% to Rs224.5/Kg.
- Woven fabric sales increased the most during the quarter with volumes higher by 21.1% YoY to 2.1 mn and realizations higher by 13.4% YoY to Rs 86.5/mtr.
- However, inspite the fall in realizations in Yarn & Knitted fabrics segments the GP margins was higher by 371 bps due to steep correction of 20.5% YoY in cotton prices. **Considering steep correction in cotton prices, Nitin is getting strong prices of its products.**
- With flattish depreciation and moderate increase in finance cost, huge growth in EBITDA sent the PAT zooming to Rs119 mn from a profit of Rs7 mn in Q2FY20.

Valuation and risks:

- We believe going ahead the company should do even better with Yarn prices firming up and its processing unit on-stream and set to fire on all cylinders.
- As cotton prices stabilises at current levels, margins should improve going forward.
- The company has been ramping up capacity and is at normal utilizations.
- We assign 8 PE multiple to FY22E earnings and arrive at a target price Rs 96, **offering 88% upside from current levels.** 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)	Q2FY21	Q2FY20	Y-o-Y (%)	Q1FY21	Q-o-Q (%)
Net sales	4,269	3,726	14.6%	2,191	94.8%
Operating costs	3,715	3,374	10.1%	1,956	89.9%
EBITDA	554	351	57.7%	236	135.3%
EBITDA Margin (%)	13.0%	9.4%	355 bps	10.7%	223 bps
Depreciation	228	213	7.1%	232	-1.3%
Interest	146	130	12.3%	150	-2.6%
Other income	1	3	-64.5%	8	-88.1%
PBT	180	10	1621.3%	-138	NA
PAT (Reported)	119	7	1522.7%	-92	NA
Adjusted EPS (Rs)	2.12	0.14		-1.63	

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	-25.6%	9.4	15.4%	8.6%	11.0	3.8
FY19	12,425	8.5%	1,781	14.3%	641	22.4%	11.4	14.3%	7.4%	7.7	2.9
FY20	14,381	15.7%	1,698	11.8%	238	-62.9%	4.2	5.2%	4.1%	13.3	2.1
FY21E	14,826	3.1%	1,905	12.8%	266	11.6%	4.7	5.3%	4.3%	10.9	6.5
FY22E	17,492	18.0%	2,502	14.3%	674	154.0%	12.0	12.6%	7.2%	4.3	4.4

Source: Company, EISEC Research Estimates



East India Securities Ltd
Excellent | Investment | Solutions

Rating: Buy Upside/(Downside): 88%
Current Price: 51 Target Price: 96

Market data

Bloomberg:	NSPL IN
52-week H/L (Rs):	24 /64
Mcap (Rs bn/USD mn):	2.8/38
Shares outstanding (mn):	56.22
Free float:	43.9%
Avg. daily vol. 3mth (3M Avg - in '000):	110
Face Value (Rs):	10
Index:	S&P BSE SmallCap

Source: Bloomberg, EISEC Research

Shareholding pattern

	Sep-20	Jun-20	Mar-20	Dec-19
Promoter	56.04	55.9	55.9	55.8
FIs	0.0	0.0	0.0	0.0
DIs	14.6	15.3	16.2	16.2
Public/others	29.3	28.8	27.9	28.0

Source: BSE

Price performance (%)*

	1M	3M	12M	24M
BSE Smallcap	16.1	30.3	11.6	17.6
Nitin Spinners	34.4	30.9	-10.6	-33.0

*as on 30th Sep 2020; Source: Ace Equity, EISEC Research

Nitin Awasthi

Research Analyst
+91 22 6192 5344
nitina@eisec.com

Awanish Chandra

Head of Research
+91 22 6192 5345
awanishc@eisec.com

Quarterly financials, operating metrics and key performance indicators

Quarterly Financials

Y/E March (Rs mn)	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	Q1FY21	Q2FY21
Net Sales	3,179	3,132	2,831	3,726	4,022	3,801	2,191	4,269
Raw Materials	2,375	2,305	2,089	2,920	2,623	2,274	1,513	3,143
Employee Costs	170	174	175	227	265	276	236	270
Other Expenditure	208	186	187	227	712	707	207	302
EBITDA	426	468	380	351	422	544	236	554
Depreciation	138	135	137	213	213	244	232	228
Interest	70	80	84	130	135	207	150	146
Other Income	6	9	5	3	8	6	8	1
PBT	224	261	165	10	82	99	-139	180
Tax	80	83	57	3	24	34	-47	61
Tax rate (%)	35.8%	31.6%	34.7%	29.8%	29.3%	34.3%	33.9%	33.9%
PAT	144	179	108	7	58	65	-91	119

YoY Growth (%)								
Revenue	10.7%	9.4%	-5.6%	19.7%	26.5%	21.4%	-22.6%	14.6%
EBITDA	11.6%	11.5%	-13.6%	-21.4%	-0.9%	16.2%	-38.1%	57.7%
Adj. PAT	-14.1%	22.5%	-30.2%	-95.5%	-59.7%	-63.6%	NA	1519.4%
QoQ Growth (%)								
Revenue	2.1%	-1.5%	-9.6%	31.6%	7.9%	-5.5%	-42.4%	94.8%
EBITDA	-4.7%	9.9%	-18.7%	-7.6%	20.2%	28.9%	-56.7%	135.3%
Adj. PAT	-12.3%	24.1%	-39.8%	-93.2%	728.6%	12.4%	NA	-230.3%
Margin (%)								
EBITDA	13.4%	14.9%	13.4%	9.4%	10.5%	14.3%	10.7%	13.0%
PAT	4.5%	5.7%	3.8%	0.2%	1.4%	1.7%	-4.2%	2.8%

Source: Company, EISEC Research

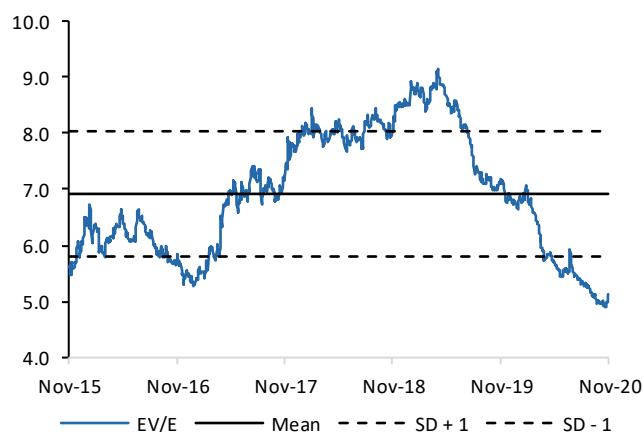
Valuation

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	14,381	14,826	17,492
% Growth	22.7%	8.5%	15.7%	3.1%	18.0%
Raw Mat	8,531	9,146	10,767	10,814	12,638
% of sales	74.5%	73.6%	74.9%	72.9%	72.3%
Personnel	607	680	943	1,042	1,159
% of sales	5.3%	5.5%	6.6%	7.0%	6.6%
Man.O. Exp.	766	818	973	1,065	1,194
% of sales	6.7%	6.6%	6.8%	7.2%	6.8%
EBITDA	1,549	1,781	1,698	1,905	2,502
EBITDA.M(%)	13.5%	14.3%	11.8%	12.8%	14.3%
Depreciation	562	546	807	913	907
EBIT	987	1,234	891	992	1,595
Finance cost	295	289	556	604	600
EBT	692	945	335	388	995
Other Inc	23	28	21	12	20
Except.Inc.	0	0	0	0	0
PBT	714	973	356	400	1,014
Tax-Total	190	332	118	134	340
Tax Rate (%)	26.7%	34.1%	33.1%	33.5%	33.5%
Rep.PAT	524	641	238	266	674
PAT Margin	4.6%	5.2%	1.7%	1.8%	3.9%
% Growth	-25.6%	12.8%	-67.9%	8.2%	115.3%

Source: Company, EISEC Research Estimates

Key Ratios	FY18	FY19	FY20	FY21E	FY22E
YE Mar					
Growth Ratios (%)					
Net Sales	22.7%	8.5%	15.7%	3.1%	18.0%
EBITDA	16.1%	14.9%	-4.6%	12.2%	31.3%
Adjusted Net Profit	-8.7%	22.4%	-62.9%	11.6%	154.0%
Margin Ratio (%)					
EBITDA Margin	13.5%	14.3%	11.8%	12.8%	14.3%
EBIT Margin	8.6%	9.9%	6.2%	6.7%	9.1%
PBT margins	6.2%	7.8%	2.5%	2.7%	5.8%
PAT Margin	4.6%	5.2%	1.7%	1.8%	3.9%
Return Ratios					
ROE	15.4%	14.3%	5.2%	5.3%	12.6%
ROCE	8.6%	7.4%	4.1%	4.3%	7.2%
ROIC	8.4%	7.2%	4.1%	4.3%	7.3%
Turnover Ratios (days)					
Gross Block Turnover (x)	1.9	1.6	1.4	1.4	1.7
Inventory	65	67	67	70	65
Debtors	28	35	39	40	35
Creditors	11	14	15	20	20
Cash Conversion Cycle	82	88	91	90	80
Solvency ratio (x)					
Debt-equity	1.1	1.8	2.1	1.9	1.5
Net Debt-Equity	1.1	1.8	2.1	1.8	1.4
Gross Debt/EBITDA	0.1	0.2	0.2	5.1	3.4
Current ratio	7.7	7.0	6.6	5.6	5.0
Interest coverage ratio	3.4	4.4	1.6	1.7	2.7
Dividend					
DPS (Rs.)	1.2	1.2	0.6	0.7	1.8
Dividend Yield (%)	1.2%	1.4%	1.1%	1.4%	3.5%
Dividend Pay-out (%)	12.9%	11.0%	14.2%	15.0%	15.0%
Per share (Rs.)					
EPS	9.4	11.4	4.2	4.7	12.0
BV	75.0	85.8	87.9	91.9	102.1
Valuation					
P/E	11.0	7.7	13.3	10.9	4.3
P/BV	1.4	1.0	0.6	0.6	0.5
EV/EBITDA	3.8	2.9	2.1	6.5	4.4

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	4,603	5,176
Shareholders' Funds	4,168	4,825	4,940	5,165	5,739
Total Loan Funds	4,492	8,605	10,404	9,630	8,630
Deferred tax liabilities	168	299	333	333	333
Total Liabilities	8,828	13,729	15,677	15,128	14,701
Application of funds					
Gross Block	6,665	6,746	13,698	13,728	13,758
Accumulated Dep.	967	1,510	2,317	3,230	4,137
Net Block	5,698	5,236	11,381	10,498	9,621
Capital WIP	42	4,682	0	0	0
Net Assets	5,740	9,918	11,381	10,498	9,621
Investments	0	0	0	150	400
Inventories	2,055	2,278	2,647	2,843	3,115
Sundry Debtors	881	1,207	1,528	1,625	1,677
Cash & Bank Balances	3	30	4	48	52
Loans and Advances	241	290	180	208	210
Other current Assets	365	640	709	741	787
Total Current Assets	3,545	4,445	5,069	5,465	5,842
Sundry Creditors	351	478	606	812	958
Provisions	107	155	167	172	203
Total Current Liabilities	458	634	773	984	1,161
Net Current Assets	3,088	3,812	4,296	4,480	4,681
Total Assets	8,828	13,729	15,677	15,128	14,701

Source: Company, EISEC Research Estimates

Cash Flow	FY18	FY19	FY20	FY21E	FY22E
Operating profit before WC changes	1,427	1,623	1,619	1,771	2,162
Net chg. in working capital	(764)	(585)	(637)	(141)	(195)
Cash flow from operating activities (a)	663	1,037	982	1,630	1,966
Capital expenditure	(202)	(4,837)	(2,172)	(30)	(30)
Free Cash Flow	461	(3,800)	(1,190)	1,600	1,936
Cash flow from investing activities (b)	(200)	(4,834)	(2,167)	(168)	(260)
Cash flow from financing activities (c)	(473)	3,824	1,159	(1,419)	(1,701)
Net chg. in cash (a+b+c)	(10)	27	(26)	43	5

Source: Company, EISEC Research Estimates

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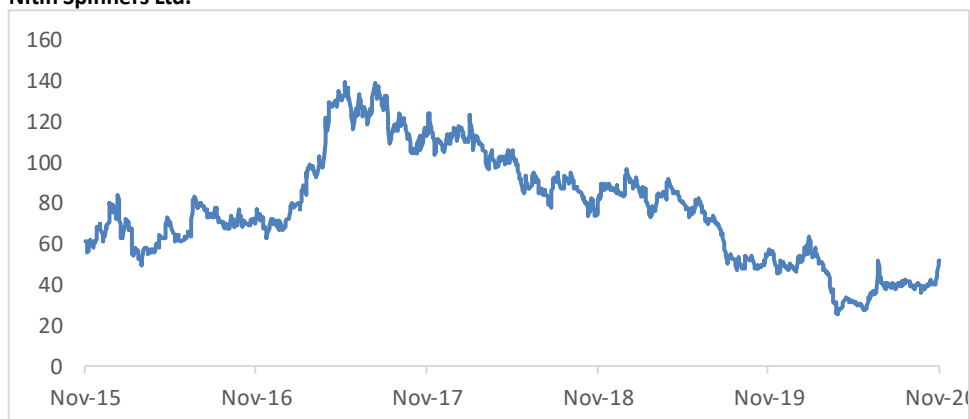
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Nitin Spinners Ltd.



Source: ACE Equity, EISEC Research

Analyst holding in stock: **NO**

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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Office: - 201, Garnet Palladium, Pandit Motilal Nehru Marg, Panch Bawadi, Behind Express Zone, Malad East, Mumbai – 400097

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Research Analyst

SEBI Registration No. INH300003231

Website: www.eisec.com

Investor Grievance Email ID: mail@eisec.com

Compliance Officer Details:

Sumeet Kejriwal 033-40205901; Email ID: sumeetk@eisec.com

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