

Nitin Spinners Ltd.

All set to be a Spinner!

Nitin Spinners Ltd (NSL) witnessed a stable performance in Q1FY25.

Revenue at Rs 8,030 mn - up by 30.1% yoy/ 0.3% qoq

EBITDA at Rs 1,188 mn - up by 56.1% yoy/ 2.2% qoq

EBITDA margin was 14.8% (up by 246 bps yoy/ 28 bps qoq)

PAT at Rs 421 mn – up by 45.7% yoy/ 7.5% qoq

Gross margin was 37.2% (up by 252 bps yoy/ 123 bps qoq). NSL reported a cash profit of Rs78 mn. Exports contributed ~64% of revenue in Q1FY25. We retain our Buy rating on the stock with a TP of Rs 502 (12x FY26 EPS).

Moderate operational performance:

- Yarn volume at 21,544 MT was up 51.5% yoy/ 1.4% qoq.
- Realization at ~Rs.272/kg was down 0.8% yoy but up 1.5% qoq.
- Knitted fabric volume at 1,333 MT was up 72.4% yoy but down 6.7% qoq.
- Woven fabric volume at 8.07 mn meters was down 4.8% yoy/ 15.9% qoq.

Future Outlook:

While Q1 was challenging, Nitin maintains an optimistic outlook regarding the company's long-term growth potential. The completed capacity expansion in Weaving and Knitting capacities will boost NSL's sales volume. The structural tailwind for sector remains intact, hence we are very optimistic on the future growth potential of the sector & NSL is very well positioned to capture these opportunities. We see NSL very well positioned to capture these growth opportunities as the proposed expansion is very well timed.

Risks to our call:

- High volatility in cotton prices could impact volume growth.
- Compression in Yarn Spread if Domestic cotton price increase more than international cotton prices.

Valuation:

NSL is currently trading at P/E of 10x on FY26e basis. We have valued the stock based on P/E methodology. We have assigned multiple of 12x (2-year forward) on FY26E PAT of Rs 2,354 mn to arrive at a target price of **Rs 502** per share, which is potential upside of ~21% from current market price and recommend **"BUY"** on the stock.



East India Securities Ltd
Excellent | Investment | Solutions

Rating: Buy Upside/(Downside): 21%

Current Price: 414 Target Price: 502

Market data

Bloomberg:	NSPL IN
52-week H/L (Rs):	443 /225
Mkt Cap (Rs bn/USD bn):	23.3/0.31
Shares outstanding (mn):	56.22
Free float:	43.6%
Daily vol. (3mth Avg.)	21.5 mn
Face Value (Rs):	10
Index:	S&P BSE SmallCap

Source: Bloomberg, EISEC Research

Shareholding pattern

	Jun-24	Mar-24	Dec-23	Sep-23
Promoter	56.5	56.5	56.4	56.4
FIIIs	0.6	0.7	1.1	1.3
DIIIs	15.0	13.7	13.3	11.3
Public/others	27.9	29.1	29.2	31.0

Source: BSE

Price performance (%)*

YE Mar (R)	1M	3M	6M	12M
BSE Smallcap	3.1	14.6	21.7	57.1
Nitin Spinners	19.9	17.2	28.6	61.8

*as on 23rd July 2024; Source: Ace Equity, EISEC Research

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Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	EPS (Rs)	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY22	26,923	65.7%	6,516	24.2%	3,216	366.9%	58.0	48.3%	22.3%	7.0	4.6
FY23	24,051	-10.7%	2,955	12.3%	1,632	-49.2%	29.0	17.1%	10.4%	14.3	11.2
FY24	29,056	20.8%	3,770	13.0%	1,315	-19.4%	23.4	12.1%	8.2%	17.7	9.7
FY25E	35,027	20.5%	5,123	14.6%	2,016	53.3%	35.9	8.2%	10.4%	11.6	6.8
FY26E	37,890	8.2%	5,468	14.4%	2,354	16.8%	41.9	10.4%	11.3%	9.9	6.0

Source: Company, EISEC Research Estimates

Conference Call Highlights

- The company has delivered stable performance during Q1FY25, driven by optimal asset utilization, an improved product mix, and cost efficiencies, despite ongoing geopolitical challenges.
- Domestic cotton prices have risen in comparison to international prices, which is a cause for a minor concern.
- Geopolitics notwithstanding, share of exports improved to 64% in revenue.
- Capacity utilisation was 96%/47%/88% for spinning/weaving/knitting.
- Total yarn spread was ~Rs.109 per kg.
- The debt repayment is scheduled to be ~Rs.1.45 bn in FY25 and Rs.1.74 bn in FY26.
- NSL has fully commissioned its capacity expansion across Knitting and Weaving & Finishing in order to increase its presence in cotton blended yarns and fabrics.
- 127,488 spindles, 3,312 Rotors, 264 Airjet Spinning Positions, 14 Knitting Machines and 56 Weaving Machines installed in FY24.
- Management's strategic focus for the upcoming quarters is on optimum utilization of increased capacities and improvement of product mix.
- It maintains an optimistic outlook regarding the company's long-term growth potential.
- With the completion of capital expenditures, NSL now aims to enhance its market position by focusing on value addition, cost efficiency and better capacity utilization.

Quarterly financials, operating metrics and key performance indicators

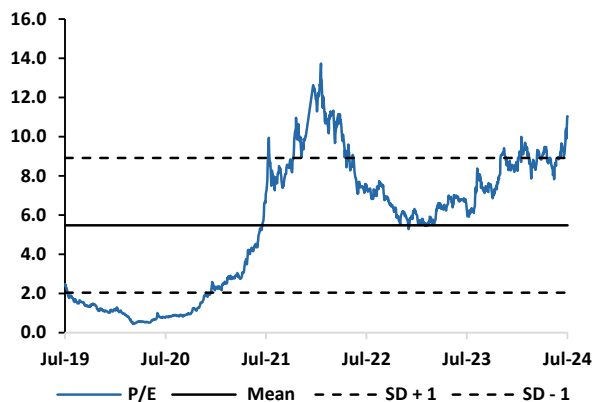
Quarterly Financials

Y/E March (Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Sales	5,059	5,364	6,540	6,171	7,374	7,504	8,007	8,030
Raw Materials	3,468	3,592	4,595	4,033	5,082	4,849	5,130	5,046
Employee Costs	293	341	349	397	429	464	479	505
Other Expenditure	727	838	894	980	1,044	1,165	1,236	1,291
EBITDA	570	593	702	761	820	1,027	1,162	1,188
Depreciation	219	218	213	230	244	348	363	367
Interest	85	74	103	151	152	252	278	266
Other Income	8	3	14	10	3	3	6	14
PBT	274	304	399	390	427	431	528	569
Tax	-17	-4	22	101	110	113	136	148
Tax rate (%)	-6.1%	-1.3%	5.5%	25.8%	25.8%	26.3%	25.8%	26.0%
PAT	291	308	377	289	317	317	392	421
YoY Growth (%)								
Revenue	-23.9%	-23.9%	-15.0%	-12.9%	45.8%	39.9%	22.4%	30.1%
EBITDA	-67.9%	-66.7%	-58.1%	-30.1%	43.8%	73.1%	65.7%	56.1%
Adj. PAT	-68.3%	-67.0%	-55.8%	-55.9%	8.9%	3.0%	3.8%	45.7%
QoQ Growth (%)								
Revenue	-28.6%	6.0%	21.9%	-5.6%	19.5%	1.8%	6.7%	0.3%
EBITDA	-47.7%	4.0%	18.3%	8.5%	7.7%	25.3%	13.2%	2.2%
Adj. PAT	-55.6%	5.7%	22.6%	-23.4%	9.7%	0.1%	23.5%	7.5%
Margin (%)								
EBITDA	11.3%	11.1%	10.7%	12.3%	11.1%	13.7%	14.5%	14.8%
PAT	5.8%	5.7%	5.8%	4.7%	4.3%	4.2%	4.9%	5.2%

Source: Company, EISEC Research

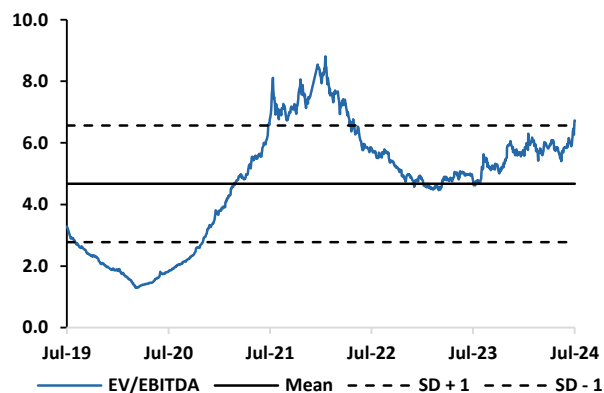
Valuation

Fig 1: 2-year forward P/E chart



Source: AceEquity, EISEC Research

Fig 2: 2-year forward EV/EBITDA chart



Source: AceEquity, EISEC Research

Financial Statements

Inc. Statement	FY22	FY23	FY24	FY25E	FY26E
YE Mar (Rs mn)					
Revenues	26,923	24,051	29,056	35,027	37,890
% Growth	65.7%	-10.7%	20.8%	20.5%	8.2%
Raw Material	15,264	16,310	19,093	22,484	24,489
% of sales	56.7%	67.8%	65.7%	64.2%	64.6%
Personnel	1,327	1,332	1,768	2,079	2,249
% of sales	4.9%	5.5%	6.1%	5.9%	5.9%
Mfg. & Other Exp.	3,816	3,455	4,424	5,341	5,684
% of sales	14.2%	14.4%	15.2%	15.2%	15.0%
EBITDA	6,516	2,955	3,770	5,123	5,468
EBITDAM (%)	24.2%	12.3%	13.0%	14.6%	14.4%
Depreciation	874	868	1,185	1,469	1,420
EBIT	5,642	2,087	2,586	3,655	4,048
Finance cost	553	377	833	989	930
EBT	5,089	1,710	1,753	2,666	3,118
Other Inc	18	33	22	36	29
Exceptional Item	-45	0	0	0	0
PBT	5,062	1,743	1,775	2,702	3,147
Tax-Total	1,800	111	460	685	793
Tax Rate (%)	35.6%	6.3%	25.9%	25.4%	25.2%
Reported PAT	3,261	1,632	1,315	2,016	2,354
PAT Margin	11.9%	6.8%	4.5%	5.8%	6.2%
% Growth	373.5%	-50.0%	-19.4%	53.3%	16.8%

Source: Company, EISEC Research Estimates

Key Ratios	FY22	FY23	FY24	FY25E	FY26E
YE Mar					
Growth Ratios (%)					
Net Sales	65.7%	-10.7%	20.8%	20.5%	8.2%
EBITDA	153.3%	-54.7%	27.6%	35.9%	6.7%
Adjusted Net Profit	366.9%	-49.2%	-19.4%	53.3%	16.8%
Margin Ratio (%)					
EBITDA Margin	24.2%	12.3%	13.0%	14.6%	14.4%
EBIT Margin	21.0%	8.7%	8.9%	10.4%	10.7%
PBT margins	18.8%	7.2%	6.1%	7.7%	8.3%
PAT Margin	11.9%	6.8%	4.5%	5.8%	6.2%
Return Ratios					
ROE	48.3%	17.1%	12.1%	16.4%	16.6%
ROCE	22.3%	10.4%	8.2%	10.4%	11.3%
ROIC	22.2%	10.3%	8.1%	10.5%	11.7%
Turnover Ratios (days)					
Gross Block Turnover (x)	1.9	1.7	1.5	1.5	1.6
Inventory	55	75	71	70	70
Debtors	33	34	40	40	40
Creditors	18	17	14	15	15
Cash Conversion Cycle	70	92	97	95	95
Solvency ratio (x)					
Debt-equity	0.8	1.0	1.2	0.9	0.7
Net Debt-Equity	0.8	1.0	1.2	0.9	0.6
Gross Debt/EBITDA	1.1	3.3	3.6	2.4	2.0
Current ratio	5.8	7.1	8.7	7.4	7.9
Interest coverage ratio	10.2	5.6	3.1	3.7	4.4
Dividend					
DPS (Rs.)	4.0	4.4	3.5	5.4	6.3
Dividend Yield (%)	1.2%	1.3%	1.0%	1.3%	1.5%
Dividend Pay-out (%)	6.8%	15.0%	15.0%	15.0%	15.0%
Per share (Rs.)					
EPS	58.0	29.0	23.4	35.9	41.9
BV	155.8	183.0	203.9	234.4	270.0
Valuation					
P/E	7.0	14.3	17.7	11.6	9.9
P/BV	2.7	2.3	2.0	1.8	1.5
EV/EBITDA	4.6	11.2	9.7	6.8	6.0

Source: Company, EISEC Research Estimates

Balance Sheet	FY22	FY23	FY24	FY25E	FY26E
YE Mar (Rs mn)					
Sources of funds					
Capital	562	562	562	562	562
Reserves & Surplus	8,196	9,727	10,901	12,615	14,616
Shareholders' Funds	8,758	10,289	11,463	13,177	15,178
Minority Interest	0	0	0	0	0
Total Loan Funds	6,885	9,797	13,391	12,382	10,879
Deferred tax liabilities	1,251	927	1,114	1,114	1,114
Non-Current Liabilities	49	50	63	63	63
Total Liabilities	16,944	21,064	26,031	26,736	27,234
Application of funds					
Gross Block	13,828	15,070	23,237	23,511	23,761
Accumulated Dep.	4,102	4,970	6,154	7,623	9,043
Net Block	10,119	10,111	17,089	15,895	14,725
Capital WIP	1	3,403	24	0	0
Net Assets	10,120	13,514	17,113	15,895	14,725
Investments	0	0	0	0	0
Other non current assets	581	706	186	186	186
Inventories	4,063	4,920	5,640	7,166	7,752
Sundry Debtors	2,407	2,227	3,214	3,243	3,508
Cash & Bank Balances	6	4	4	688	1,542
Other current Assets	1,067	809	1,010	1,217	1,317
Total Current Assets	7,543	7,960	9,867	12,314	14,118
Sundry Creditors	1,294	1,110	1,100	1,617	1,749
Provisions	5	6	35	42	45
Total Current Liabilities	1,299	1,116	1,135	1,659	1,794
Net Current Assets	6,243	6,844	8,732	10,655	12,324
Total Assets	16,944	21,064	26,031	26,736	27,234

Source: Company, EISEC Research Estimates

Cash Flow	FY22	FY23	FY24	FY25E	FY26E
Operating profit before WC changes	5,549	2,493	3,551	4,444	4,674
Net chg. in working capital	-1,234	-555	-1,916	-1,239	-815
Cash flow from operating activities (a)	4,314	1,938	1,635	3,205	3,859
Capital expenditure	-925	-4,353	-4,262	-250	-250
Free Cash Flow	3,390	-2,415	-2,628	2,955	3,609
Cash flow from investing activities (b)	-859	-4,334	-4,255	-220	-220
Cash flow from financing activities (c)	-3,453	2,394	2,620	-2,301	-2,785
Net chg. in cash (a + b + c)	2	-2	-0	684	854

Source: Company, EISEC Research Estimates

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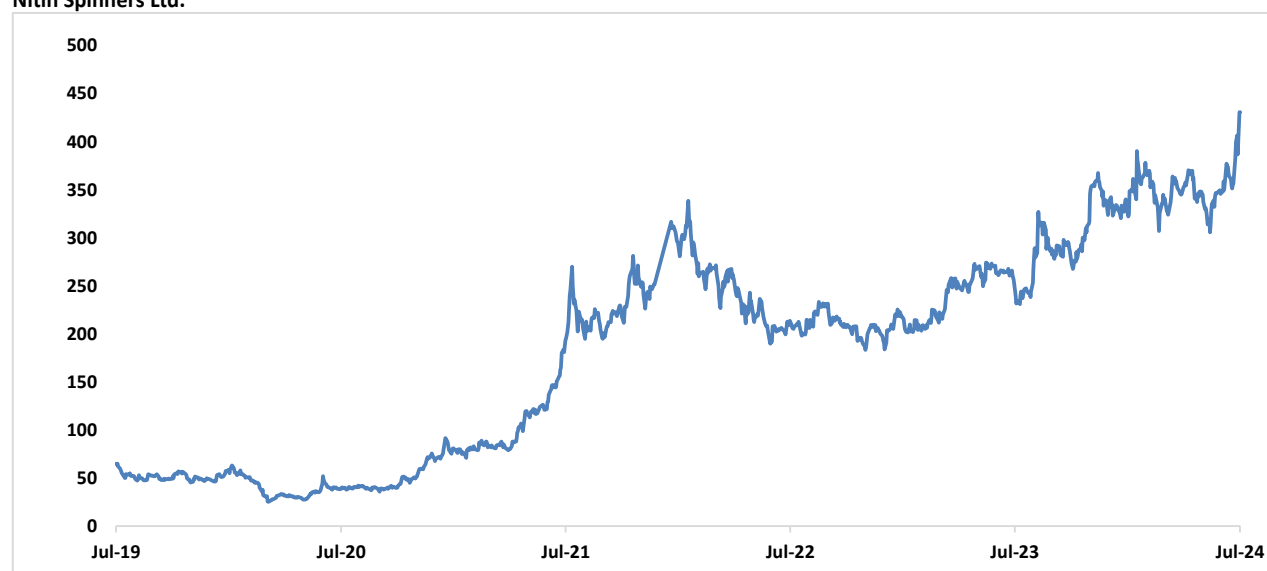
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Nitin Spinners Ltd.



Source: ACE Equity, EISEC Research

Analyst holding in stock: **YES**

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