

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.
- It 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

Disclaimer: This document has been prepared by Wealth Discovery Securities Private Limited (hereinafter referred to as WD) to provide information about the company (ies) and/sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company (ies). This report is for personal information of the selected recipient/s and does not constitute to be any investment, legal or taxation advice to you. This research report does not constitute an offer, invitation or inducement to invest in securities or other investments and Wealth Discovery Securities Private Limited (hereinafter referred as WD) is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your general information and should not be reproduced or redistributed to any other person in any form. This report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur.

WD generally prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, WD generally prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover. Our salespeople, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing among other things, may give rise to real or potential conflicts of interest. WD and its affiliated company(ies), their directors and employees and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the affiliates of WD even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report Reports based on technical and derivative analysis center on studying charts company's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamental analysis. In addition WD has different business segments / Divisions with independent research separated by Chinese walls catering to different set of customers having various objectives, risk profiles, investment horizon, etc., and therefore may at times have different contrary views on stocks sectors and markets.

Unauthorized disclosure, use, dissemination or copying (either whole or partial) of this information, is prohibited. The person accessing this information specifically agrees to exempt WD or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold WD or any of its affiliates or employees responsible for any such misuse and further agrees to hold WD or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays. The information contained herein is based on publicly available data or other sources believed to be reliable. Any statements contained in this report attributed to a third party represent WD's interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation has not been reviewed by the third party. This Report is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. While we would endeavor to update the information herein on reasonable basis, WD and/or its affiliates are under no obligation to update the information. Also there may be regulatory, compliance, or other reasons that may prevent WD and/or its affiliates from doing so. WD or any of its affiliates or employees shall not be in any way responsible and liable for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. WD or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and no infringement. The recipients of this report should rely on their own investigations.

WD and its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Subject Company may have been a client of WD or its associates during twelve months preceding the date of distribution of the research report WD and/or its affiliates and/or employees may have interests/positions, financial or otherwise of over 1 % at the end of the month immediately preceding the date of publication of the research in the securities mentioned in this report. To enhance transparency, WD has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The research analysts, strategists, or research associates principally responsible for preparation of WD research receive compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues

Disclosure of Interest Statement	Nitin Spinners Ltd.
1.Analyst ownership of the stocks mentioned above	No
2.Served as an officer, director or employee	No

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject WD & its group companies to registration or licensing requirements within such jurisdictions.

Wealth Discovery

Transforming Knowledge into Wealth.

COMPLETE WEALTH MANAGEMENT SOLUTIONS !



Understanding financial needs.
Optimising returns...

Head Office

Wealth Discovery Securities Pvt. Ltd.

1206, 12th Floor,
Kailash Building K.G. Marg.
Connaught Place
New Delhi-110001

Telephone:
91 +11-43444-666
91 +11-43444-623

Email:
info@wealthdiscovery.in

Website:
<http://www.wealthdiscovery.in>