

# Nitin Spinners Ltd

## All Set to grow well with new capacity on stream

Nitin Spinners Ltd (NSPL) came out with a decent performance in an improving business environment (from margin perspective) during Q4FY24. Recent capacity addition led to ~22%/~64%/~30% growth in sales/EBITDA/PBT on YoY basis. Reported PAT was almost flat YoY as now the company is paying full tax. The company had adopted new tax regime in FY23 onwards and the effective tax rate was very low on account of remeasurement of liabilities in Q4FY23. With cotton prices stabilizing at lower levels, there was a decent margin improvement, but profitability is still far from normal levels. With continued 90%+ utilization, even on expended capacity basis, in yarn and woven fabric segments and some recovery in knitted fabric business, sales performance was strong despite lower realization. All new capacity is now on stream with near optimum utilizations except for knitted fabric. With cotton prices stabilising at current rates and expectation of further demand recovery, we believe QoQ performance improvement should continue here on. We Maintain our BUY with target price of Rs465 per share, 10.5x FY26e EPS.

### Good performance in a challenging environment

- During Q4FY24, the company posted a growth of 38.9% YoY at Yarn sales volume front as utilizations remained at elevated levels even on expanded capacity, along with low base effect. Knitted fabric sales volume promised some recovery with a growth of ~84% YoY on low base however de-grew by ~14% on sequential basis.
- Woven fabric business remained strong with its sales volume grew by ~16% YoY. With economic activities back on track post covid, demand for woven fabric remains good.
- With correction in cotton prices, realization moderated further across product profile but in a very small quantum.

### Textile demand should get stronger

- The Indian textile industry had been facing tough times due to a slowdown in demand in the international market. But now things are recovering well in various user segments. Demand in the domestic market is yet to recover to the normal levels. Expected good monsoon is expected to help on demand side plus keep the RM price under check.
- Not much capacity is getting added in spinning industry and hence product pricing comfort should be there in the future.
- Capex plan of Rs9.5bn is now fully executed now and this will propel sales growth in FY25.

### Valuation and risks

- With new capex, Nitin Spinners growth path is clear from here till FY25. FY26 growth would require further capex which management may announce during mid of FY25.
- We assign slightly higher multiple **10.5x PE multiple to FY26E earnings (earlier 10x) as new capacity is now commissioned and hitting good utilization levels**, and arrive at a **target price Rs465 per share**, offering ~36% upside from current levels. **BUY**.
- Risk - Volatile situation in European market and any softness in yarn prices.

Y/E Mar (Rs mn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	Q4FY24E	Var (%)
Revenues	8,007	6,548	22.3%	7,504	6.7%	8,111	-1.3%
Gross profit margin (%)	27.3%	22.0%	523 bps	26.2%	106 bps		
Employee expense	479	349	37.2%	464	3.3%		
Other expense	542	384	41.1%	476	13.9%		
EBITDA	1,162	710	63.8%	1,027	13.2%	1,136	2.4%
EBITDA Margin (%)	14.5%	10.8%	368 bps	13.7%	83 bps	14.0%	52 bps
Depreciation	363	213	70.2%	348	4.2%		
Interest	278	103	170.6%	252	10.6%		
Other Income	6	14	-54.7%	3	108.8%		
Exceptional item	-	-	NA	-	NA		
PBT	528	407	29.5%	431	22.5%		
Tax	136	22	516.1%	113	20.0%		
Effective Tax Rate (%)	25.8%	5.4%	2,036 bps	26.3%	(54) bps		
PAT	392	385	1.7%	317	23.4%	390	0.4%
Adj PAT	392	310	26.2%	317	23.4%	390	0.4%

Source: Company, SMIFS research

Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj. PAT	YoY (%)	Fully DEPS	RoE (%)	RoCE (%)	Adj P/E (x)	EV/EBITDA (x)
FY22	26,923	65.7	6,516	24.2	3,295	378.5	58.6	47.6	22.2	3.6	2.9
FY23	24,067	-10.6	2,971	12.3	1,325	-59.8	23.6	17.3	10.2	9.1	7.7
FY24	29,056	20.7	3,771	13.0	1,315	-0.8	23.4	12.1	8.0	10.9	7.4
FY25E	33,262	14.5	4,940	14.9	1,956	48.8	34.8	15.9	10.2	9.8	6.1
FY26E	34,340	3.2	5,409	15.8	2,488	27.2	44.2	17.5	12.0	7.7	5.1

Source: Company, SMIFS research estimates



Rating: **Buy** Upside/(Downside): **36%**

Current Price: **341** Target Price: **465**

### Earlier recommendation

Previous Rating: **Buy**

Previous Target Price: **430**

### Market data

Bloomberg:	NSPL:IN
52-week H/L (Rs):	395/225
Mcap (Rs bn/USD bn):	19.2/0.23
Shares outstanding (mn):	56.2
Free float:	43%
Daily vol. (3M Avg):	112K
Face Value (Rs):	10

Source: Bloomberg, SMIFS research

### Shareholding pattern (%)

	Mar-24	Dec-23	Sep-23	Jun-23
Promoter	56.5	56.4	56.4	56.4
FIs	0.7	1.1	1.3	2.2
DIs	13.7	13.3	11.2	8.5
Public/others	29.1	29.2	31.0	32.9

Source: BSE

### Promoters pledging (%)

Pledged shares	0.0	0.0	0.0	0.0
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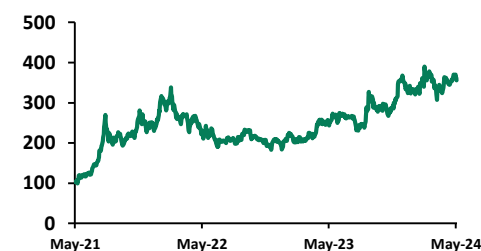
Source: BSE

### Price performance (%) \*

	1M	3M	12M	36M
Nifty 50	-0.3	0.8	20.2	48.1
Nifty 500	-2.1	1.9	31.9	61.9
Nitin Spinners	-4.9	-8.0	35.6	227.3

\* As on 10<sup>th</sup> May 2024; Source: AceEquity, SMIFS research

### 3 Years Price Performance Chart



Source: Ace Equity

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## Q4FY24 – Key takeaways from the management call

### Industry overview

- After several challenging quarters, the textiles including cotton yarn industry have seen improvement, especially in export demand and various end user segments.
- On the raw material front the cotton prices remained stable and are competitive against the international prices. The company does not see any increase in prices in the near term and anticipates good monsoon.
- This has led to higher capacity utilization (largely driven by home textile and woven apparels) and margin improvement. The capacity utilization in knitting and denim is still subdued which is expected to revive in near future.

### Margins and utilization

- The increase in revenue and margin is attributed to capacity enhancement and optimum utilization and investment in the workforce.
- Spinning and woven fabric utilizations were near optimum level during Q4FY24. Knitted Fabric segment utilization is around 91%.
- Volume growth will be ~10% in FY25 with the existing capacity and the topline should be around Rs.3200-3300crs at current cotton price base.
- Spreads have improved on QoQ basis, and it is reflected in margins as well. As the demand improves going forward, the margin will also improve.
- As cotton prices corrected to Rs.180/kg vs Rs.220/kg, Yarn prices have come down to Rs.274/kg in FY24 vs Rs.338/kg in FY23. Fabric prices moderated to Rs.160/meter vs Rs.182/meter.

### Capital Expenditure

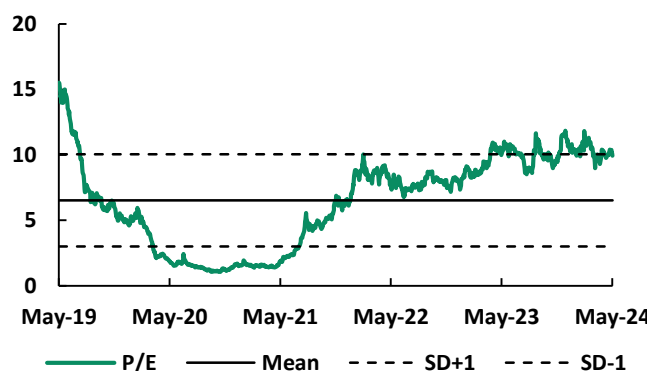
- The company has not planned for any major capex as of now as they have just completed a huge capex. The routine capex will be of ~Rs.15-20crs for debottlenecking in FY25.

### Other Highlights

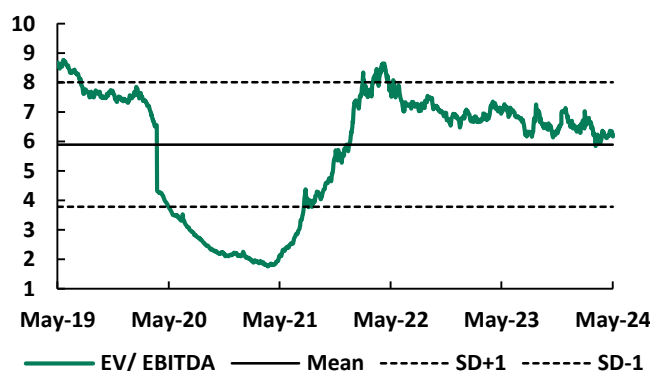
- The value-added products like Fabric and spinning contribute ~26% and ~15% respectively to topline and going forward the company aims to increase this to ~50%.
- The total capex in the last 1.5 years is around Rs.840crs out of which 30% is went to value added segment and rest to the traditional spinning part.
- The FTA from the EU should benefit more than the UK as the company has around 4% of business from UK and around 20% from EU.

### Some Financial Highlights

- The Debt repayment for FY25 and FY26 is at Rs.145cr and Rs.174cr respectively.
- The Long-term debt is at Rs.811cr, current maturities of Rs.145cr. and working capital of Rs.383cr as at end of Q4FY24.
- The company is booking interest subsidies for the older loans and for the new loans RIPS approval is delayed due to elections. But as such there is no loss due to delay as whenever it gets approved, they will get this for a duration of five years.
- The quarterly run rate for depreciation will be around Rs36cr during FY25.
- The RoDTEP for FY24 is around Rs.35-40crs out of which 50% is realized and rest is due for FY25.

**Fig 1: 1-year forward P/E**


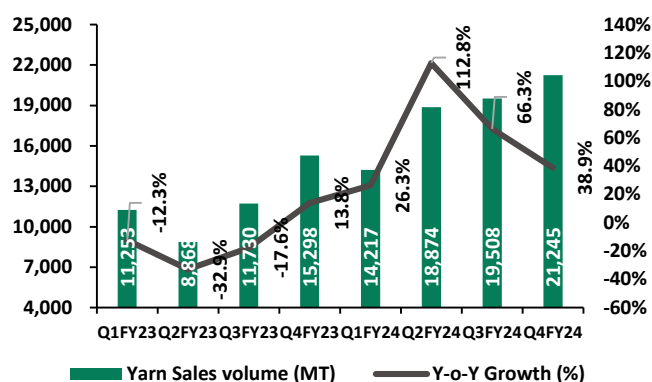
Source: AceEquity, SMIFS research

**Fig 2: 1-year forward EV/EBITDA**


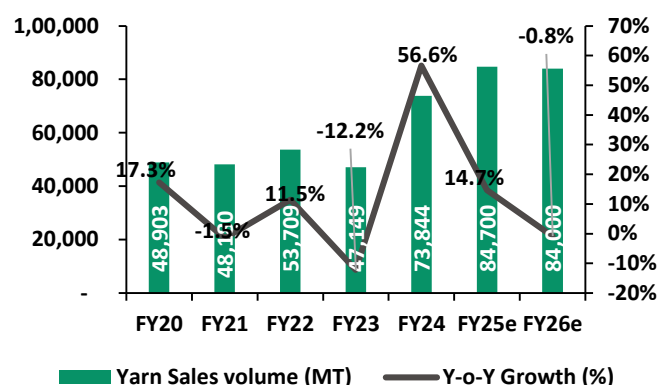
Source: AceEquity, SMIFS research

## Change in Estimates

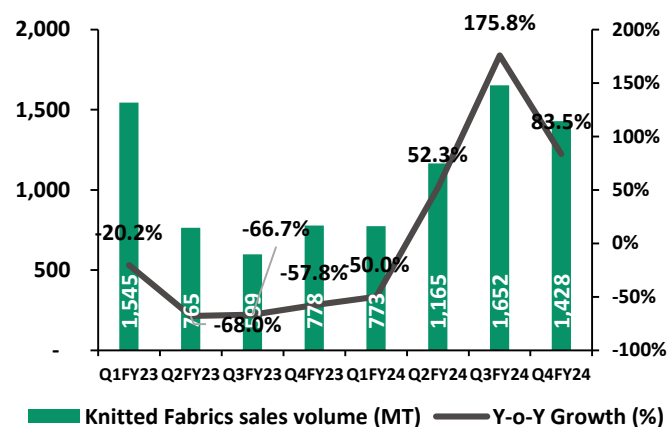
Rs mn	New Estimates		Old Estimates		Change (%)	
	FY25e	FY26e	FY25e	FY26e	FY25e	FY26e
Revenue	33,262	34,340	33,193	34,614	0.2	-0.8
Gross Profit	9,114	9,564	8,863	9,433	2.8	1.4
Gross Margin (%)	27.4	27.9	26.7	27.3	70 bps	60 bps
EBITDA	4,940	5,409	4,917	5,452	0.5	-0.8
EBITDA Margin (%)	14.9	15.8	14.8	15.8	4 bps	(0) bps
PAT	1,956	2,488	1,951	2,418	0.3	2.9
EPS (Rs)	34.8	44.2	34.7	43.0	0.3	2.9

**Fig 3: Yarn sales volume (Quarterly)**


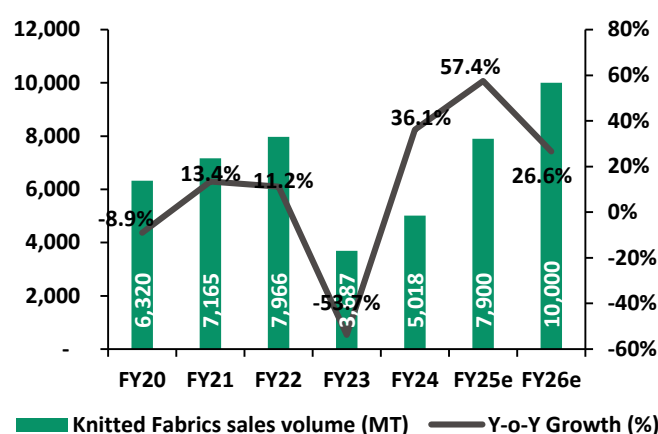
Source: Company, SMIFS research estimates

**Fig 4: Yarn sales volume (Yearly)**


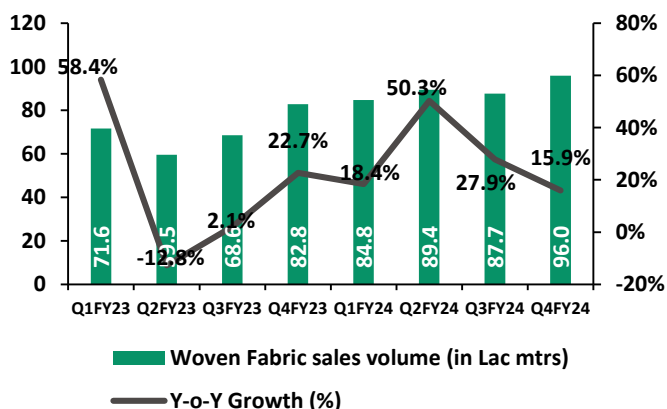
Source: Company, SMIFS research estimates

**Fig 5: Knitted Fabric sales volume (Quarterly)**


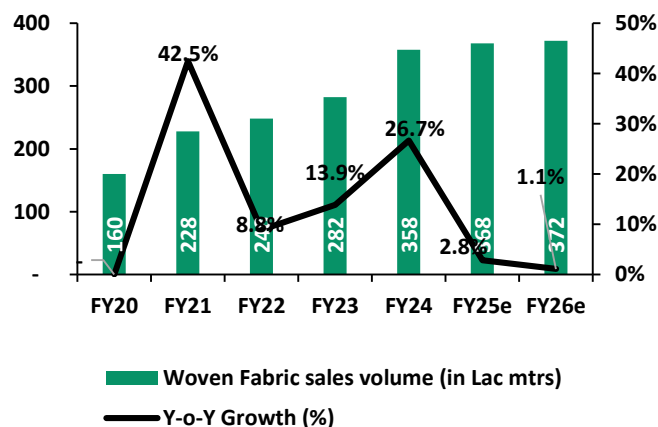
Source: Company, SMIFS research estimates

**Fig 6: Knitted Fabric sales volume (Yearly)**


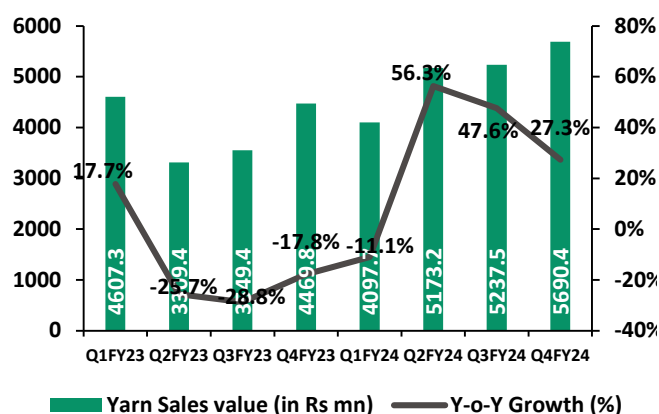
Source: Company, SMIFS research estimates

**Fig 7: Woven Fabric sales volume (Quarterly)**


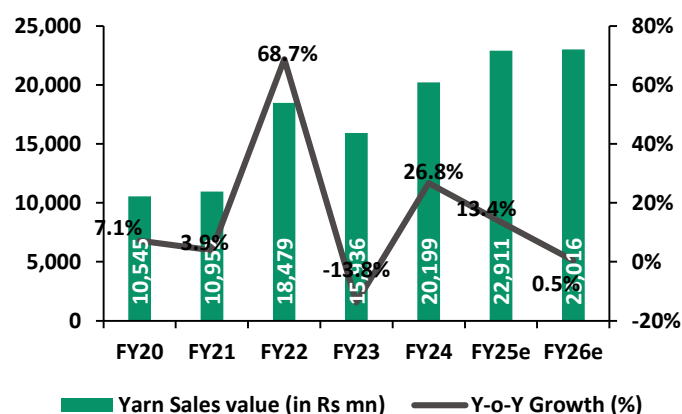
Source: Company, SMIFS research estimates

**Fig 8: Woven Fabric sales volume (Yearly)**


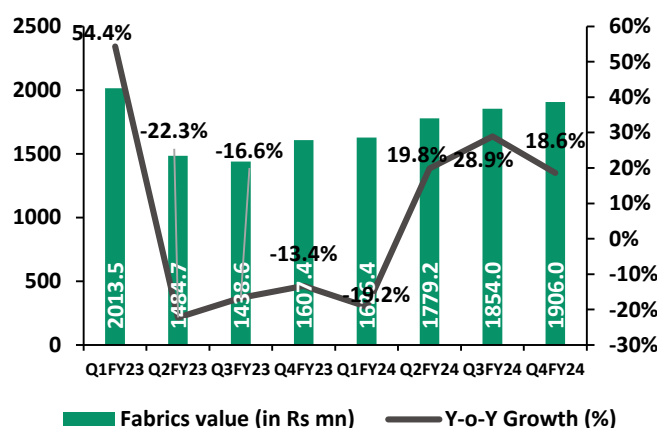
Source: Company, SMIFS research estimates

**Fig 9: Yarn sales value (Quarterly)**


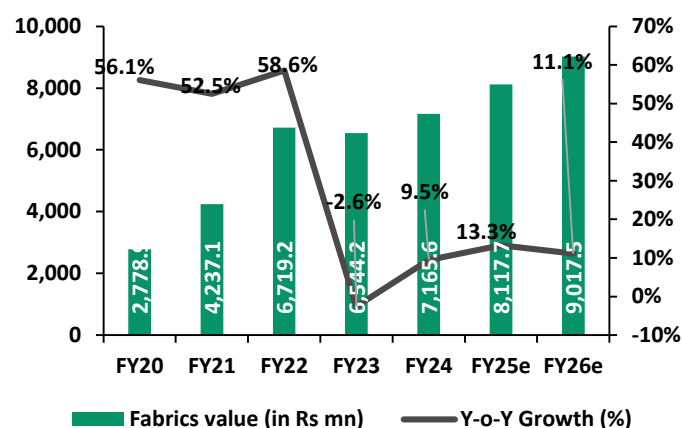
Source: Company, SMIFS research estimates

**Fig 10: Yarn sales value (Yearly)**


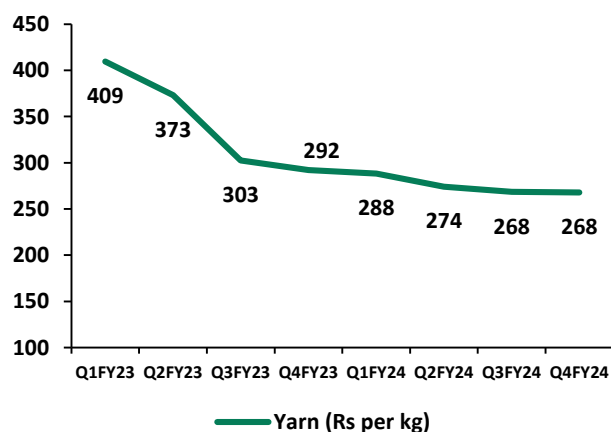
Source: Company, SMIFS research estimates

**Fig 11: Total Fabrics sales value (Quarterly)**


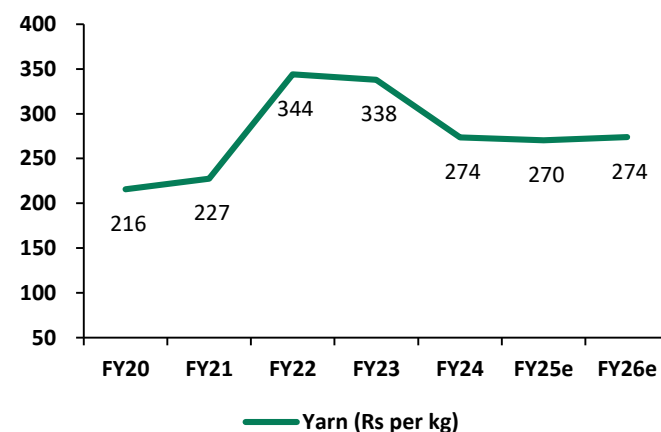
Source: SMIFS research estimates

**Fig 12: Total Fabrics sales value (Yearly)**


Source: SMIFS research estimates

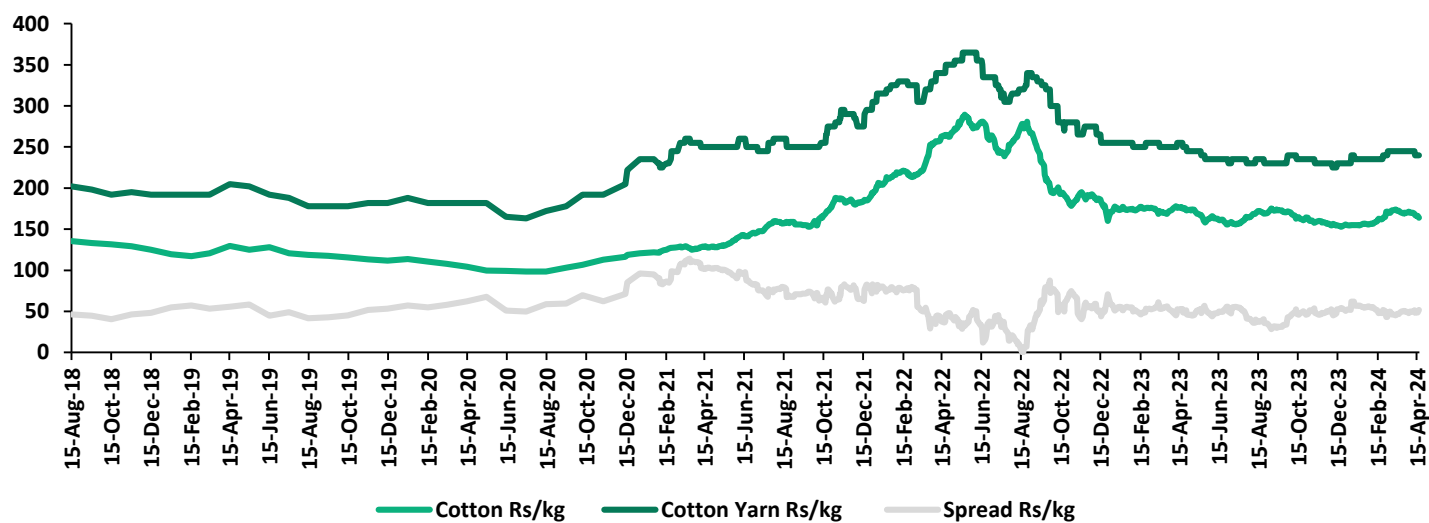
**Fig 13: Yarn Realization (Quarterly)**


Source: SMIFS research estimates

**Fig 14: Yarn Realization (Yearly)**


Source: SMIFS research estimates

**Fig 15: Cotton Yarn Spread**



Source: Cotton Association, Bloomberg, SMIFS research estimates

## Quarterly financials, operating metrics & key performance indicators

**Fig 16: Quarterly Financials**

Y/E March (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
<b>Net Sales</b>	<b>7,088</b>	<b>5,059</b>	<b>5,372</b>	<b>6,548</b>	<b>6,171</b>	<b>7,374</b>	<b>7,504</b>	<b>8,007</b>
Raw Materials	5,174	3,851	4,074	5,105	4,624	5,691	5,538	5,824
Employee Costs	348	293	341	349	397	429	464	479
Other Expenditure	477	345	355	384	389	434	476	542
<b>EBITDA</b>	<b>1,089</b>	<b>570</b>	<b>601</b>	<b>710</b>	<b>761</b>	<b>820</b>	<b>1,027</b>	<b>1,162</b>
Depreciation	218	219	218	213	230	244	348	363
Interest	115	85	74	103	151	152	252	278
Other Income	8	8	3	14	10	3	3	6
Exceptional items	0	0	0	0	0	0	0	0
<b>PBT</b>	<b>765</b>	<b>274</b>	<b>312</b>	<b>407</b>	<b>390</b>	<b>427</b>	<b>431</b>	<b>528</b>
Tax	109	-17	-4	22	101	110	113	136
Tax rate (%)	14.3	-6.1	-1.3	5.4	25.8	25.8	26.3	25.8
<b>PAT</b>	<b>656</b>	<b>291</b>	<b>316</b>	<b>385</b>	<b>289</b>	<b>317</b>	<b>317</b>	<b>392</b>
<b>Adj PAT</b>	<b>572</b>	<b>207</b>	<b>236</b>	<b>310</b>	<b>289</b>	<b>317</b>	<b>317</b>	<b>392</b>
<b>YoY Growth (%)</b>								
Revenue	28.0	-23.9	-23.8	-14.9	-12.9	45.8	39.7	22.3
EBITDA	-15.3	-67.9	-66.2	-57.6	-30.1	43.8	70.9	63.8
PAT	9.3	-66.7	-66.1	-54.9	-55.9	8.9	0.5	1.7
<b>QoQ Growth (%)</b>								
Revenue	-7.8	-28.6	6.2	21.9	-5.8	19.5	1.8	6.7
EBITDA	-34.9	-47.7	5.4	18.0	7.2	7.7	25.3	13.2
PAT	-23.3	-55.6	8.5	22.0	-25.0	9.7	0.2	23.4
<b>Margin (%)</b>								
RMC/revenue (%)	73.0	76.1	75.8	78.0	74.9	77.2	73.8	72.7
Gross margin (%)	27.0	23.9	24.2	22.0	25.1	22.8	26.2	27.3
Employee cost/revenue (%)	4.9	5.8	6.4	5.3	6.4	5.8	6.2	6.0
Other expenses/revenue (%)	6.7	6.8	6.6	5.9	6.3	5.9	6.3	6.8
EBITDA margin (%)	15.4	11.3	11.2	10.8	12.3	11.1	13.7	14.5
PAT margin (%)	9.3	5.8	5.9	5.9	4.7	4.3	4.2	4.9

Source: Company, SMIFS research

**Fig 17: Key Assumptions**

Operating Details	FY21	FY22	FY23	FY24	FY25e	FY26e
<b>Capacity</b>						
Yarn (in MT)	75,000	75,000	75,000	110,000	110,000	110,000
Knitted Fabrics (in MT)	8,500	8,500	8,500	11,000	11,000	11,000
Woven Fabrics (in Lac Mtr)	300	300	300	400	400	400
<b>Sales Volume Data</b>						
Yarn (in MT)	48,180	53,709	47,149	73,844	84,700	84,000
Knitted Fabrics (in MT)	7,165	7,966	3,687	5,018	7,900	10,000
Woven Fabrics (in Lac Mtr)	228	248	282	358	368	372
<b>Sales (Rs mn)</b>						
Yarn	10,952	18,784	15,936	20,199	22,911	23,016
Total Fabrics	4,237	6,795	6,544	7,166	8,118	9,018
Others	1,055	1,344	1,587	1,692	2,234	2,306
<b>Total Sales</b>	<b>16,244</b>	<b>26,923</b>	<b>24,067</b>	<b>29,057</b>	<b>33,262</b>	<b>34,340</b>
YoY Growth (%)	13.0	65.7	-10.6	20.7	14.5	3.2

Source: Company, SMIFS research estimates

## Financial Statements

Income Statement					
YE March (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
<b>Revenues</b>	<b>26,923</b>	<b>24,067</b>	<b>29,056</b>	<b>33,262</b>	<b>34,340</b>
Raw Materials	16,853	18,204	21,676	24,148	24,776
% of sales	62.6	75.6	74.6	72.6	72.1
Personnel	1,327	1,332	1,768	1,996	1,992
% of sales	4.9	5.5	6.1	6.0	5.8
Manufacturing & Other Expenses	2,227	1,561	1,841	2,179	2,163
% of sales	8.3	6.5	6.3	6.5	6.3
<b>EBITDA</b>	<b>6,516</b>	<b>2,971</b>	<b>3,771</b>	<b>4,940</b>	<b>5,409</b>
Other Income	18	33	22	26	38
Depreciation & Amortization	874	868	1,185	1,433	1,408
<b>EBIT</b>	<b>5,661</b>	<b>2,136</b>	<b>2,608</b>	<b>3,533</b>	<b>4,038</b>
Finance cost	553	377	833	911	704
<b>Core PBT</b>	<b>5,089</b>	<b>1,726</b>	<b>1,753</b>	<b>2,596</b>	<b>3,297</b>
Exceptional Income/(Expense)	-45	0	0	0	0
<b>PBT</b>	<b>5,062</b>	<b>1,759</b>	<b>1,775</b>	<b>2,622</b>	<b>3,335</b>
Tax-Total	1,800	111	460	666	847
Tax Rate (%) - Total	35.6	6.3	25.9	25.4	25.4
<b>Reported PAT</b>	<b>3,261</b>	<b>1,648</b>	<b>1,315</b>	<b>1,956</b>	<b>2,488</b>
<b>Adjusted PAT</b>	<b>3,295</b>	<b>1,325</b>	<b>1,315</b>	<b>1,956</b>	<b>2,488</b>

Source: Company, SMIFS research estimates

Key Ratios					
YE March	FY22	FY23	FY24	FY25E	FY26E
<b>Growth Ratios (%)</b>					
Net Sales	65.7	-10.6	20.7	14.5	3.2
EBITDA	153.3	-54.4	26.9	31.0	9.5
Adjusted PAT	378.5	-59.8	-0.8	48.8	27.2
<b>Margin Ratio (%)</b>					
Gross Profit	37.4	24.4	25.4	27.4	27.9
EBITDA Margin	24.2	12.3	13.0	14.9	15.8
EBIT Margin	21.0	8.9	9.0	10.6	11.8
Core PBT Margins	18.9	7.2	6.0	7.8	9.6
Adj PAT Margin	12.2	5.5	4.5	5.9	7.2
<b>Return Ratios</b>					
ROE	47.6	17.3	12.1	15.9	17.5
ROCE	22.2	10.2	8.0	10.2	12.0
<b>Turnover Ratios (days)</b>					
Gross Block Turnover (x)	1.9	1.7	1.5	1.4	1.5
Adj OCF / Adj PAT (%)	114	118	61	146	143
Inventory	52	68	66	67	67
Debtors	28	35	34	37	37
Creditors	14	10	7	15	15
Cash Conversion Cycle	65	93	93	89	89
<b>Solvency ratio (x)</b>					
Debt-equity	0.8	1.1	1.2	0.9	0.5
Net Debt-Equity	0.8	1.1	1.2	0.8	0.5
Gross Debt/EBITDA	1.1	3.7	3.6	2.3	1.5
Current ratio	3.4	7.1	3.8	2.6	2.9
Interest coverage ratio	10.1	5.7	3.1	3.9	5.7
<b>Dividend</b>					
DPS (Rs.)	4.0	2.5	2.5	5.2	6.6
Dividend Yield (%)	1.9	1.2	1.0	1.5	1.9
Dividend Payout (%)	6.9	8.5	10.7	15.0	15.0
<b>Per share (Rs.)</b>					
Basic EPS (reported)	58.0	29.3	23.4	34.8	44.2
FDEPS (adjusted)	58.6	23.6	23.4	34.8	44.2
CEPS	73.6	44.8	44.5	60.3	69.3
BV	156	183	204	233	271
<b>Valuation</b>					
P/E	3.6	9.1	10.9	9.8	7.7
P/BV	1.3	1.2	1.3	1.5	1.3
EV/EBITDA	2.9	7.7	7.4	6.1	5.1
EV/Sales	0.7	1.0	1.0	0.9	0.8
Adj Mcap/Core PBT	2.3	7.0	8.2	7.3	5.8
Adj Mcap/Adj OCF	3.1	7.7	17.9	6.7	5.3

Source: Company, SMIFS research estimates

Balance Sheet					
YE March (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
<b>Sources of funds</b>					
Capital	562	562	562	562	562
Reserves & Surplus	8,196	9,727	10,901	12,564	14,678
<b>Shareholders' Funds</b>	<b>8,758</b>	<b>10,289</b>	<b>11,463</b>	<b>13,126</b>	<b>15,241</b>
<b>Total Loan Funds</b>	<b>6,885</b>	<b>10,854</b>	<b>13,391</b>	<b>11,191</b>	<b>8,381</b>
Non-Current Liabilities	1,301	978	1,177	1,177	1,177
<b>Total Liabilities</b>	<b>16,944</b>	<b>22,120</b>	<b>26,031</b>	<b>25,494</b>	<b>24,799</b>
<b>Application of funds</b>					
Gross Block	13,921	14,784	22,950	23,275	23,675
Net Block	10,119	10,111	17,089	15,980	14,972
Capital WIP	1	3,403	24	0	0
<b>Quasi cash Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30</b>	<b>30</b>
Other Investments	0	0	0	0	0
<b>Other non current assets</b>	<b>581</b>	<b>706</b>	<b>186</b>	<b>186</b>	<b>186</b>
Inventories	4,063	4,920	5,640	6,106	6,303
Sundry Debtors	2,407	2,227	3,214	3,372	3,481
Current Investments	0	0	0	0	0
Cash & Bank Balances	6	4	4	71	85
Other current Assets	1,067	809	1,010	1,156	1,193
<b>Total Current Assets</b>	<b>7,543</b>	<b>7,960</b>	<b>9,867</b>	<b>10,705</b>	<b>11,063</b>
<b>Sundry Creditors</b>	<b>1,294</b>	<b>54</b>	<b>1,100</b>	<b>1,367</b>	<b>1,411</b>
Other Current Liabilities	5	6	35	40	41
<b>Total Current Liabilities</b>	<b>1,299</b>	<b>59</b>	<b>1,135</b>	<b>1,407</b>	<b>1,452</b>
<b>Net Current Assets</b>	<b>6,243</b>	<b>7,901</b>	<b>8,732</b>	<b>9,298</b>	<b>9,611</b>
<b>Total Assets</b>	<b>16,944</b>	<b>22,120</b>	<b>26,031</b>	<b>25,494</b>	<b>24,799</b>

Source: Company, SMIFS research estimates

Cash Flow					
YE March (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
<b>Operating profit before WC changes</b>	<b>5,549</b>	<b>2,493</b>	<b>3,551</b>	<b>4,273</b>	<b>4,562</b>
Net chg in working capital	(1,234)	(555)	(1,916)	(498)	(299)
<b>Cash flow from operating activities (a)</b>	<b>4,314</b>	<b>1,938</b>	<b>1,635</b>	<b>3,775</b>	<b>4,263</b>
<b>Adj OCF</b>	<b>3,761</b>	<b>1,561</b>	<b>802</b>	<b>2,864</b>	<b>3,559</b>
Capital expenditure	(925)	(4,353)	(4,262)	(300)	(400)
Adj Free Cash Flow	2,836	(2,792)	(3,461)	2,564	3,159
<b>Cash flow from investing activities (b)</b>	<b>(859)</b>	<b>(4,334)</b>	<b>(4,255)</b>	<b>(304)</b>	<b>(362)</b>
Debt	(2,731)	2,912	3,594	(2,200)	(2,810)
Dividend	169	141	141	293	373
Interest and lease	553	377	833	911	704
<b>Cash flow from financing activities (c)</b>	<b>(3,453)</b>	<b>2,394</b>	<b>2,620</b>	<b>(3,404)</b>	<b>(3,887)</b>
<b>Net chg in cash (a+b+c)</b>	<b>2</b>	<b>(2)</b>	<b>(0)</b>	<b>67</b>	<b>14</b>

Source: Company, SMIFS research estimates



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