



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- Nitin Spinners Q1FY25 consolidated revenues came in at ₹803 Cr, up 0.3% QoQ and up 30% YoY.
- PBIDT (Ex-OI) for Q1FY25 stood at ₹118.8 Cr, up 2.2% QoQ and up 56% YoY.
- PBIDTM (Ex-OI) for Q1FY25 came at 14.8%, +27.7 bps QoQ and +246.4 bps YoY.
- PAT (Ex-OI) for Q1FY25 stood at ₹40.7 Cr, up 5.5% QoQ and up 45.6% YoY.
- Product mix: Yarn (73%), Fabrics (22%), Others (5%)
- Geographical Revenue mix: Domestic (36%), Export (64%).
- Realization at ~Rs.272/kg was down 0.8% YoY but up 1.5% QoQ.
- Yarn volume at 21,544 MT was up 51.5% YoY/ 1.4% 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

2. MANAGEMENT COMMENTARY:

- Management's strategic focus for the upcoming quarters is on optimum utilization of increased capacities and improvement of product mix.
- With the completion of capital expenditures, they now aim to enhance its market position by focusing on value addition, cost efficiency and better capacity utilization.
- Expectation of stable cotton prices in India and international markets due to good crop conditions and anticipation of a good monsoon.
- Textile industry showing moderate improvement in demand in both domestic and export markets.

3. CONCALL SUMMARY

- 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.
- SL 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.

4. VALUATION AND OUTLOOK:

While Q1 was challenging, the management 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 & Nitin Spinners is very well positioned to capture these opportunities. We see the company very well positioned to capture these growth opportunities as the proposed expansion is very well timed.

With a strong growth outlook, we initiate a "BUY" rating on the stock and value the stock at **16x FY25 EPS to arrive at the target of 507.**

RECOMMENDATION - BUY

CMP – 430

TARGET – 507(++18%)

Industry	Textile - Spinning
NSE CODE	NITINSPIN
BSE CODE	532698
Market Cap (₹ Cr)	2404
Shares Outstanding (in Cr)	5.62
52 wk High/Low (₹)	474/260
P/E	16.6
P/BV	2.1
Face Value (₹)	10.0
Book Value (₹)	204
EPS (FY24) (₹)	23.4
Dividend Yield (%)	0.58
Debt / Equity	1.2
Interest Coverage	3.06

SHAREHOLDING PATTERN

	Jun 24	Mar 24	Dec 23
Promoters	56.46	56.46	56.41
MF/ DII	14.99	13.74	13.32
FII/FPI	0.61	0.7	1.09
Retail & Others	27.94	29.11	29.17
Promoter Pledging	0.00	0.00	0.00

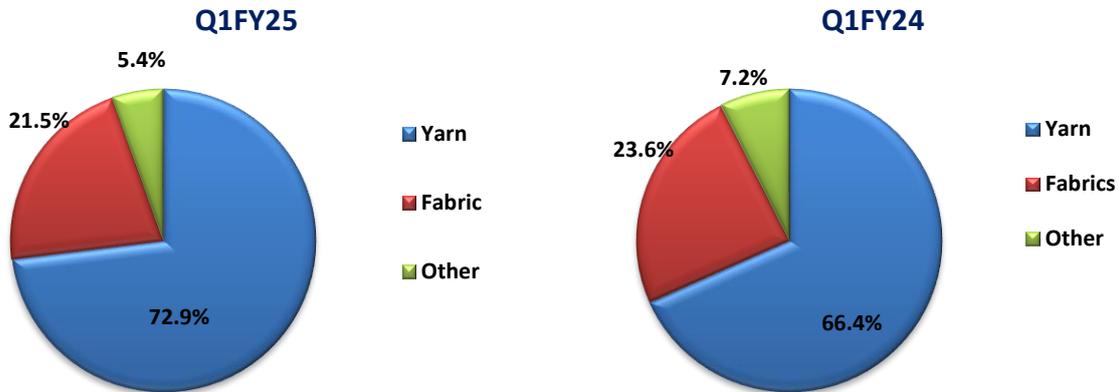
FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2024	2025E	2026E
Crete			
Sales	2906	3545	4325
Sales Gr. (%)	20.7	22	22
EBITDA	377	496	605
EBITDA %	13.1	14	14
PAT	131.5	178	217.6
EPS (₹)	23.4	31.7	38.7
EPS Gr. (%)	-20.2	35.5	22.1
Valuation			
P/E (x)	13.9	16	14.8

Historical & Industrial Val Ratios

Historical P/E	17.2
Industry P/E	25.5
Historical P/B	2.01
Industry P/B	2.5

Revenue Bifurcation Trend



QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY23		FY24				FY25		FY24	FY25E*
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2E*		
Net sales	537.2	654.8	617.1	737.4	750.4	800.7	803.0	850	2906	3545
YoY change (%)	-23.8	-14.9	-12.9	45.8	39.7	22.3	30.1	20.2	20.7	22
Total Expenditures	477.1	583.8	541.0	655.4	647.7	684.5	684.2	762.2	2529	3049
EBITDA	60.1	71.0	76.1	82.0	102.7	116.2	118.8	124	377	496
YoY growth (%)	-66.2	-57.6	-30.1	43.8	70.9	63.8	56.1	51.3	26.3	31.6
Margins (%)	11.2	10.8	12.3	11.1	13.7	14.5	14.8	14.0	13.1	14
Depreciation	22	22	21	23	24	35	36	39	118	156
Interest	8.5	7.4	10.3	15.1	15.2	25.2	27.8	24.8	83	99.3
Other income	0.8	0.3	1.4	1.0	0.3	0.3	0.6	0.5	2	2
PBT	27.4	31.2	40.7	39.0	42.7	43.1	52.8	60.3	178	241.1
Rate (%)	-6%	-1%	5%	26%	26%	26%	26%	26%	25.9	26
Tax	-1.7	-0.4	2.2	10.1	11.0	11.3	13.6	15	46	62.7
Adjusted PAT	29.1	31.6	38.5	28.9	31.7	31.7	39.2	45.3	132	178.4
EPS in Rs	5.62	6.86	5.14	5.64	5.65	6.97	7.49	8.06	23.4	31.7

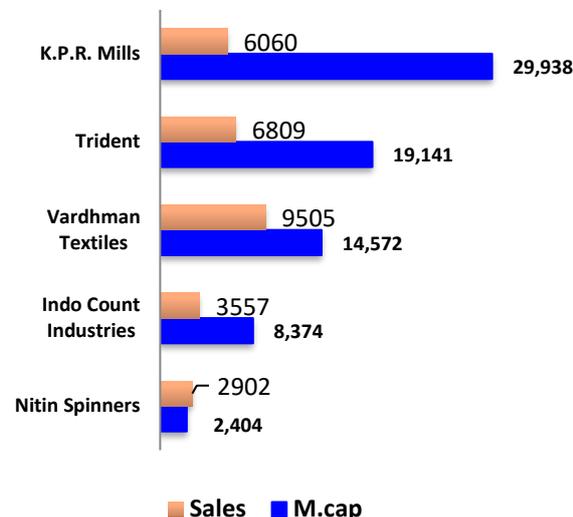
Source: Company, Hem Securities Research.



INDUSTRY OVERVIEW

- India currently has an installed spindle capacity of ~53mn, of which, 5.5mn is nonoperational or operates sporadically, 42.5-43.5mn is fully operational and the remaining 3-3.5mn spindles fluctuates between shutting down and operating.
- Utilisation levels in the spinning and weaving sector has increased to 90% from. 60-65% a year ago.
- Demand for yarn in export terms has improved. India has exported 100-110mn kg of yarn per month in last 4-5 months, with demand hovering at 50mn kg/pm a year ago. Yarn demand at 110-120mn kg per month during FY21-22 was normal. Demand has been picking up globally, with China too witnessing a spurt after a substantial fall, as cotton prices reduced in India.
- On the domestic front, demand for Apparels and Home Textiles has been robust, and inventory levels are low.
- In the domestic market lower raw material prices have supported gross margins but improvement in yarn prices is still elusive. Currently, cotton prices hover at Rs 55,000-56,000/candy (equivalent to USD 85 cents). The price of American cotton in India would be close to USD 90 cents, rendering Indian cotton prices favourable and among the lowest in the world, compared to international cotton prices.
- Softening cotton prices has helped companies improve their margins, which still rule below normal levels due to global challenges.

KEY PLAYERS in Textile space



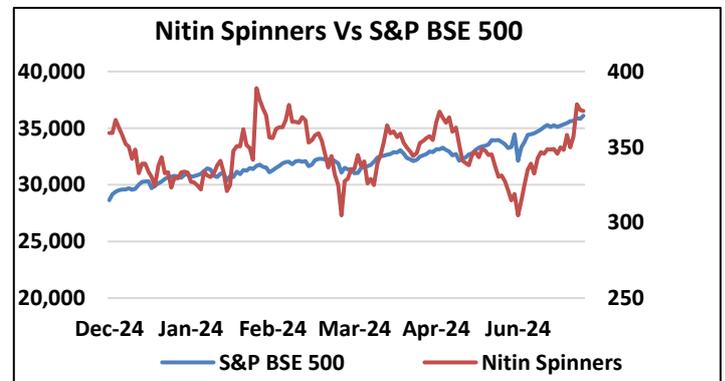
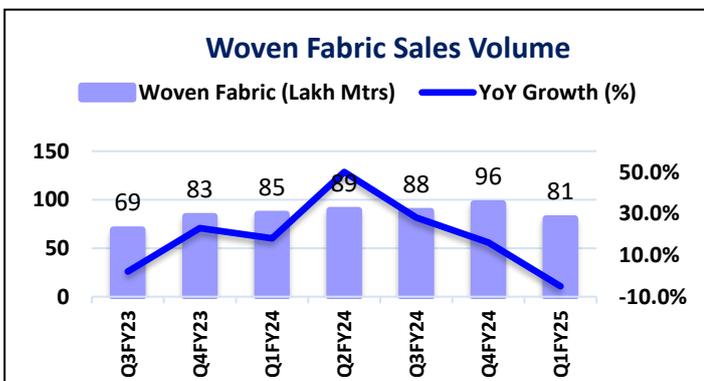
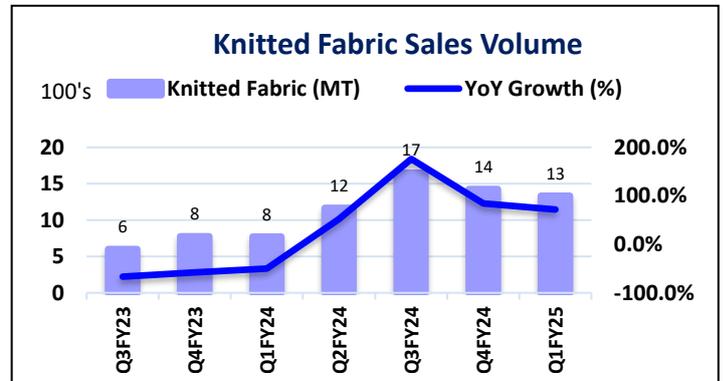
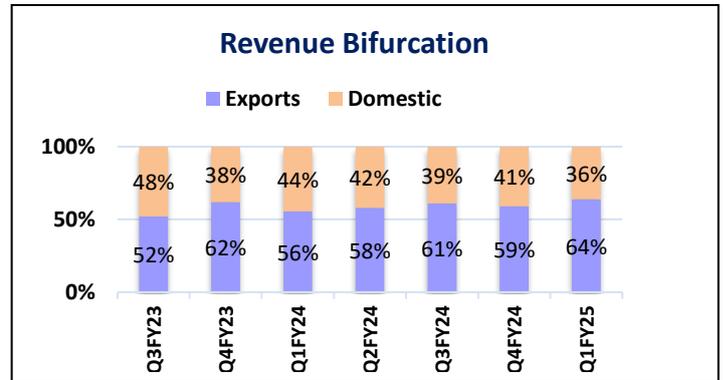
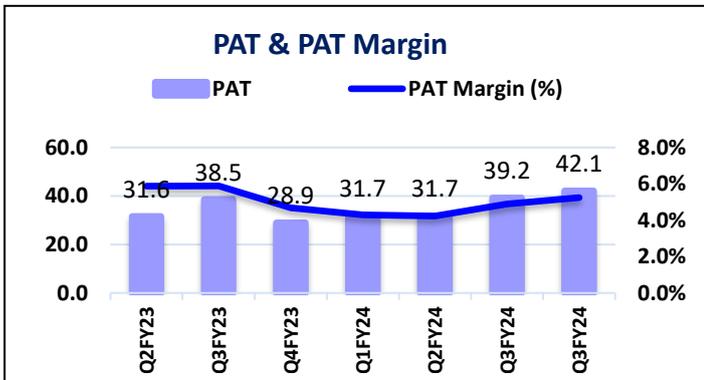
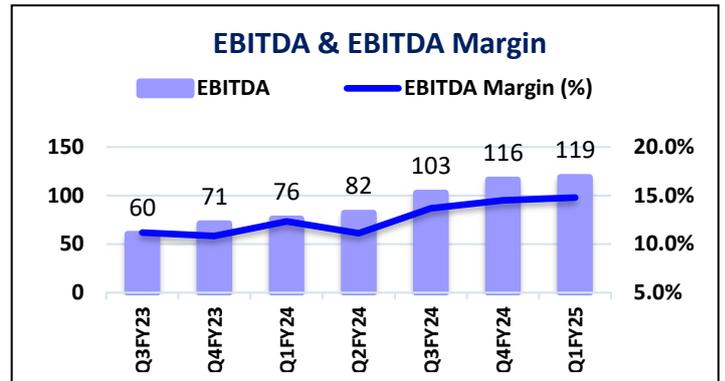
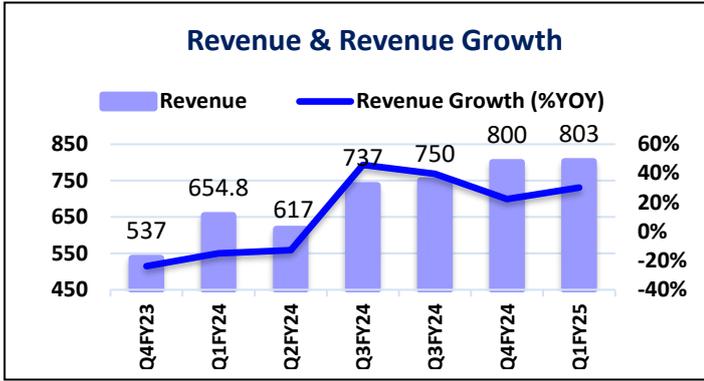
PEER PERFORMANCE

(₹ Cr)

Particulars	Nitin Spinners Ltd.	Indo Count Industries Ltd.	Trident (India) Ltd.	Vardhman Textiles Ltd.	K.P.R. Mills Ltd.
Market Cap	2404	8374	19141	14572	29938
Net Sales	2902	3557	6809	9505	6060
EBITDA	377	562	940	973	1237
PAT	132	338	350	637	805
EBITDA MARGIN %	13.1	16	14	10	20
PAT MARGIN %	4.5	9.5	5.1	6.7	13.2
ROCE %	11.6	18.3	10.4	8.8	20.6
ROE %	12.1	17.5	8.2	7.2	19.5
P/E TTM	16.6	24.5	58.1	19.9	37.2
P/B TTM	2.1	4.0	4.4	1.6	6.9
Current Ratio	1.5	1.7	1.6	3.1	2.9
Dividend Yield %	0.6	0.5	1.0	0.7	0.6
Int Coverage	3.1	7.0	3.7	12.0	15.8
EPS TTM(₹)	25.8	17.3	0.64	25.4	23.6
3 Y Sales CAGR%	21	12	15	16	20

Source: Company, Hem Securities Research.

STORY IN CHARTS





INVESTMENT RATIONALE:

- The company is focusing on debottlenecking its existing manufacturing facilities to increase production base and is enhancing the share of value-added products (VAP) in its portfolio to improve profitability.
- Management's upbeat outlook stems from soft cotton prices (fallen below international levels), pick up in exports (improving yarn demand), and higher VAP contribution.
- Woven fabric saw optimal utilization during the quarter, with all capital expenditure (capex) successfully completed. Knitted fabric utilization improved to ~60% levels.
- Increased utilisation and favourable cotton prices improved margins during the quarter. Raw material costs currently are at 64% vs normal 60% levels.
- Capacity utilization at the new facility, especially on the spinning side, has reached 90% levels and is projected to rise to 95% levels.
- Of the current yarn production of 105K tonnes per annum, 20-25% is consumed captively by the fabric division. Management indicated that it would continue to sell at least 80-85K tonnes of yarn going forward and consume the rest internally.
- It would also focus on expanding capacity in the woven fabric. The capex required to put up a 15-20mn meter weaving capacity would be Rs 1-1.2bn.
- Currently, it has not planned any major capex. The company is expanding its solar power capacity from 18MW to 23MW this year and plans to increase it by 22MW in due course.
- Management expects to add fresh capacity once it achieves EBITDA of 16-20% in yarn, and a bit higher in fabrics.

RISK / NEGATIVE FACTORS:

- High volatility in cotton prices could impact volume growth.
- Compression in yarn spread if domestic cotton price increase more than international cotton prices.

COMPANY RECAP

- Nitin Spinners is a leading textile company in India, which specialises in manufacturing cotton & blended yarn, knitted fabrics, greige & finished woven fabrics. The company was established in 1992 and is headquartered in Bhilwara (Rajasthan). It has an installed capacity of 435K spindles and 35,864 rotors, produces 110k tonnes of yarn, 11,000 tonnes of knitted fabrics and 40mn meters of finished woven fabric. The company has carved a niche for itself in India's textile industry.
- The company serves both local and international markets and is present in more than 50 countries.
- The company's strategic focus revolves around optimizing capacity utilisation, enhancing product mix, exploring newer geographies, and focusing on debottlenecking manufacturing facilities to increase production base and cost efficiency.



ANNUAL PERFORMANCE

Financials & Valuations

Income Statement

Y/E March	2021	2022	2023	2024	2025E	2026E	(₹ Cr)
Revenue from operations	1624	2692	2407	2906	3545	4325	
Growth YoY (%)	13.0	65.7	-10.6	20.7	22	22	
Total Expenditure	1367	2041	2110	2529	3049	3719	
(%) of sales	84.2	75.8	87.7	87.0	86	86	
EBITDA	257	652	297	377	496	605	
EBITDA Growth (%)	50.8	152.1	-54.0	26.3	31.6	22.0	
EBITDA Margin (%)	16.0	24.3	12.5	13.1	14	14	
Depreciation	91	87	87	118	156.0	190.3	
EBIT	168	562	214	261	340.3	415.2	
EBIT Growth (%)	84.3	234.0	-62.0	22.1	30	22	
Net Interest Expenses	62	55	38	83	99.3	121.1	
Other Income	2	2	3	2	2	2	
Earnings before Taxes	107	506	176	178	241.1	294.1	
EBT Margin (%)	6.6	18.8	7.3	6.1	6.8	6.8	
Tax-Total	38	180	11	46	62.7	76.5	
Rate of tax (%)	35.3	35.6	6.3	25.9	0.26	0.26	
Net Profit	69	326	165	132	178.4	217.6	
PAT Growth (%)	189.2	373.5	-49.5	-20.2	36	22	
PAT Margin (%)	4.2	12.1	6.8	4.5	5.0	5.0	
Minority Interest	0	0	0	0	0	0	
Adjusted PAT	69	326	165	132	178.4	217.6	
EPS	12.3	58.0	29.3	23.4	31.7	38.7	
EPS Growth (%)	189.2	373.5	-49.5	-20.2	35.5	22.1	

Balance Sheet

Y/E March	2021	2022	2023	2024
Share Capital	56	56	56	56
Reserves	507	820	973	1,090
Net Worth	563	876	1029	1146
Borrowings	962	689	980	1,339
Other Liabilities	151	260	209	231
Total Liabilities & Equity	1,676	1,824	2,218	2,717
Fixed Assets	1,060	1,012	1,011	1,709
CWIP	2	0	340	2
Investments	0	0	0	0
Other Assets	615	812	867	1,005
Total Assets	1,676	1,824	2,218	2,717

Source: Company, Hem Securities Research.



Ratios				
Y/E March (Basic (INR))	2021	2022	2023	2024
Profitability and return ratios				
Net profit margin (%)	1.7	4.2	12.1	6.8
EBITDA margin (%)	12.0	16.0	24.3	12.5
EBIT margin (%)	6.3	10.3	20.9	8.9
ROE (%)	4.9	13.0	45.3	17.3
ROCE (%)	6.3	11.0	36.4	12.0
Working Capital & liquidity ratios				
Payables (Days)	10.5	18.9	17.2	15.3
Inventory (Days)	62.5	69.6	51.6	68.1
Receivables (Days)	34.7	35.8	27.6	35.1
Current Ratio (x)	1.2	1.3	1.8	1.5
Valuations Ratios				
EV/sales (x)	0.8	0.9	0.7	0.9
EV/EBITDA (x)	7.0	5.5	3.0	7.5
P/E (x)	6.6	6.6	3.9	7.7
P/BV (x)	0.3	0.8	1.5	1.2
Dividend Yield (%)	2.1	1.9	1.8	1.1
Return on Assets (%)	1.5	4.1	18.6	8.2
Leverage Ratio				
Debt/Equity (x)	2.1	1.7	0.8	1.0

Cash Flow Statement

Y/E March	2021	2022	2023	2024
CF from Operating activities (A)	155	431	194	163
CF from Investing Activities (B)	-11	-86	-433	-426
CF from Financing Activities (C)	-144	-345	239	262
Net Cash Flow	0	0	0	0
Add: Opening Bal.	0	0	0	0
Closing Balance	0	0	0	0

Source: Company, Hem Securities Research.



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
27/8/2024	BUY	507(++18%)

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