



NITIN FIRE PROTECTION INDUSTRIES LTD
Industrial Machinery

July 10, 2015

Very Good Fundamentals, Moderate Upside Potential CMP: Rs.32.60/ CIV: Rs.36.48 Sensex: 27,946

Update (Limited Review)- Q4FY15 (January 1, 2015 to March 31, 2015)

CARE EQUIGRADE GRID (CEG)

	1	2	3	4	5
Fundamentals	→				
Valuation	→				

CEG is explained on page No 7

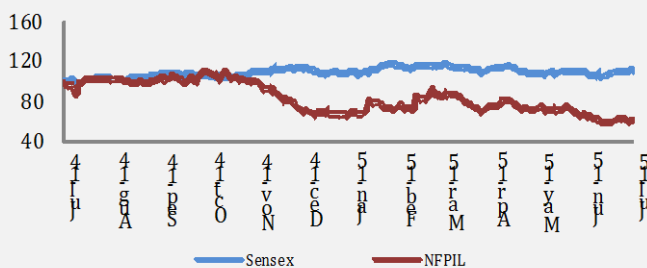
KEY EQUISTATS

Market Capitalisation	Rs. Crores	954
Enterprise Value	Rs. Crores	1,350
52 Week Adjusted High / Low	Rs.	75.4/27.2
Diluted EPS (FY15E)	Rs.	2.3
P/E (FY15E)	times	14.2
Regression Beta	times	0.9
Average Daily Volumes*	Lakhs	5.9

*BSE and NSE for last 52 weeks

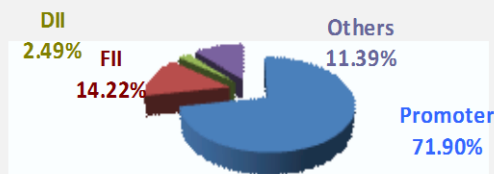
STOCK PERFORMANCE

Price Movement (rebased on 100)



Returns	1M	3M	6M	1Yr
Absolute	15%	-14%	3%	-31%
Rel. to Sensex	10%	-10%	3%	-37%

SHARE HOLDING PATTERN



ANALYTICAL CONTACTS

Smrita Rajpurkar	Asst General Manager	+91-22-6144 3594
Ruchi M Thacker	Analyst	+91-22-6144 3484

1 CMP: Current Market Price; CIV as on July 10, 2015; Current Intrinsic Value

CARE Equity Research maintains fundamental grade of 4/5 to Nitin Fire Protection Industries Limited (NFPI)

The operating income of the company increased by around 13% in FY15 at Rs.1,140 crore, however, EBITDA margins exhibited a decline by 50 bps to 10.1% in FY15 as compared to previous year. The sales have improved in Q4FY15 due to increased execution of orders in subsidiaries based in UAE, with higher order inflows. The same is on account of the expected infrastructure upscaling in the wake of EXPO 2020 to be hosted in Dubai and infrastructure development in other parts of UAE and India.

EBITDA margin of the company varies depending on the composition of sales which includes income from trading of fire protection products and different type of turnkey projects. Also, on account of competitive bidding in the wake of intense competition and fixed price nature of contracts have led to thinning of EBITDA margins. Delays in recoveries from the customers leading to increase in interest and finance cost along with tempered EBITDA margin adversely impacted PAT margins of the company in FY15.

Also in Q4FY15 at consolidated level, operating income declined by 43% to Rs.228 crore on account of lesser order book available to be executed due to the volatile nature of business. Consequently, owing to fixed expenses and delay in recovery from customers leading to increase in working capital borrowings, PAT margin for Q4FY15, declined to 0.30% vis-à-vis 5.3% in Q4FY14.

Valuation

Based on the recent financial results and industry dynamics, we have revised our estimates for FY16E to FY19E. CARE Equity Research values equity shares of NFPI at a Current Intrinsic Value (CIV) of Rs.36.48 per share. The valuation is arrived at by using the Discounted Cash Flow (DCF) valuation methodology. At the Current Market Price (CMP) of Rs.32.60 per share; the CIV of Rs.36.48 per share results in a valuation grade of 4/5, indicating the shares of NFPI has 'Moderate Upside Potential'.

Consolidated Financial Information Snapshot

(Rs. crore)	FY13	FY14	FY15UA	FY16E	FY17E
Operating Income	705	1,016	1,140	1,340	1,541
EBITDA	81	109	116	127	140
PAT (After minority interest)	59	67	67	74	82
Fully Diluted EPS* (Rs.)	1.9	2.1	2.3	2.5	2.8
Dividend Per Share (Rs.)	0.2	0.2	0.2	0.2	0.2
P/E (times)	13.6	12.2	12.1	-	-
EV/EBITDA (times)	13.7	10.7	10.4	-	-

* Calculated on Current Face Value of Re. 2/- per share

**RESULTS ANALYSIS & PRICE PERFORMANCE****CARE Equity Research retains the fundamental grade at 4/5, indicating 'Very Good Fundamentals'**

The grade continues to draw strength from NFPIL's robust position in the Indian fire protection market, in addition to the high growth outlook for Indian fire protection industry, which should augur well for the company's domestic business. NFPIL has over 60 (domestic + international) approvals from various agencies and regulatory bodies required to operate in this business & execute fire protection, safety & security solution projects across various demographics. The company also has tie-ups with international components & product manufacturers to procure & distribute their products & use their technology, thereby giving it an edge over the local players in providing fire protection, safety & security solutions to their clients. The grade also draws comfort from the fact that the company has reduced its exposure in Nitin Cylinders Limited, a company involved in manufacturing seamless steel cylinder on account of high competition in that business and has already divested around 60% of its stake to Worthington Industries Inc., a US-based company. The company currently holds approximately 11.1% stake along with its JV partners in an oil & gas block in Rajasthan auctioned in NELP VI. As on May 27, 2015, the company had an order book position of Rs.450 crore to be executed in one year.

Subdued financial performance of the company in FY15 at consolidated level

Although, operating income of the company increased by around 13% in FY15 at Rs.1,140 crore, however, EBITDA margins exhibited a decline by 50 bps to 10.1% in FY15 as compared to previous year. The net sales of the company improved in FY15 due to increased execution of orders in subsidiaries based in UAE, with higher order inflows. The same was on account of the expected infrastructure up-scalement in the wake of EXPO 2020 to be hosted in Dubai and infrastructure development in other parts of UAE and India. The EBITDA margins of the company vary depending on the composition of sales which includes income from trading of fire protection products and different type of turnkey projects. Also, competitive bidding in the wake of intense competition and non-escalation clauses leading to inability of the company to pass on increase in raw material prices to customers, have led to thinning of EBITDA margins. Delays in recoveries from the customers leading to increase in interest and finance cost along with tempered EBITDA margin adversely impacted PAT margins of the company in FY15.

Also in Q4FY15 at consolidated level, operating income declined by 43% to Rs.228 crore on account of lesser order book available to be executed due to the volatile nature of business. Consequently, owing to fixed expenses and delay in recovery from customers leading to increase in utilization of working capital borrowings thereby leading to higher finance costs, thus, PAT margin for Q4FY15 declined to 0.30% vis-à-vis 5.3% in Q4FY14.

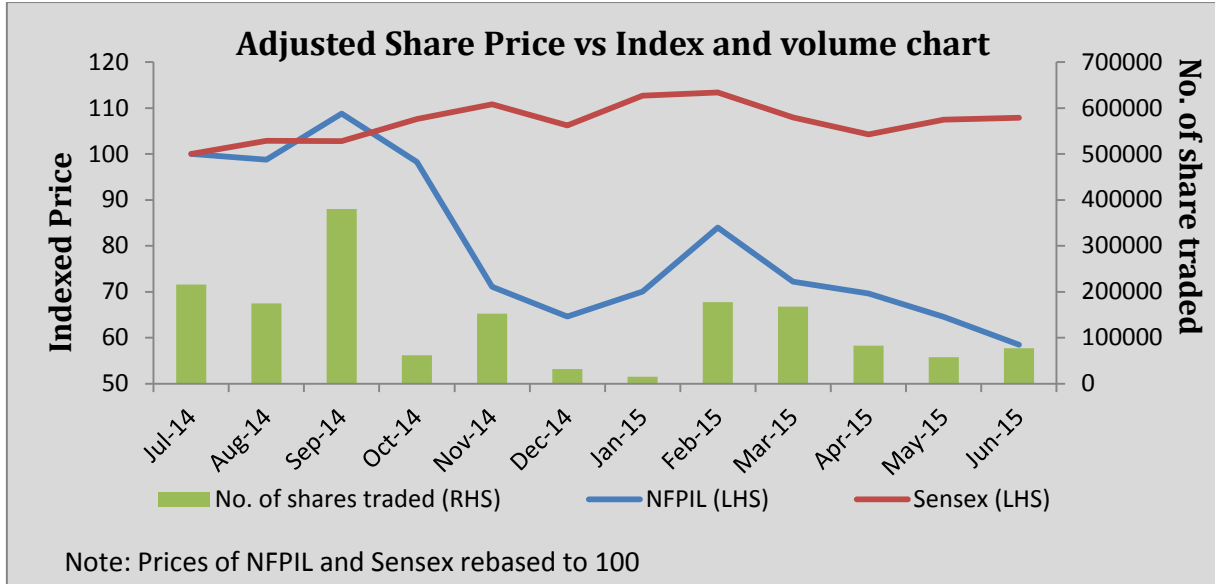
NFPIL's adjusted stock price declined by 32.2% since its coverage on July 31, 2014

On November 17, 2014, the Board of directors of the company decided to allocate 7.31 crore equity shares as bonus issue in the proportion of one bonus share for every three existing fully paid up equity shares. The record date for the bonus share issue was decided as November 15, 2014. As on March 31, 2015, the company's total number of equity shares was 29.23 crore of total equity value of Rs.58.45 crore.

CARE Equity Research's coverage on July 31, 2014 on NFPIL was at a Current Intrinsic Value (CIV) of Rs.93.80 and a Valuation Grade of '5/5', based on the Market Price of Rs.64.15. The adjusted CIV of the share, post the bonus issue and as per CARE's revised valuation after factoring financial performance for FY15 is Rs.36.48 per

share. The adjusted stock price has now declined by 32.2% cumulatively, since July 31, 2014. The benchmark index (Sensex) in comparison is up by 6.82% during the same period.

NFPIL: Adjusted stock performance for the past 12 months



Source: BSE and CARE Equity Research

VALUATION GRADE
Moderate Upside Potential
4/5

CARE Equity Research values NFPIIL at an adjusted value of Rs.36.48 per share; assigns a valuation grade of 4/5

Based on the recent financial results of FY15 and industry dynamics, we have revised our estimates for FY16E to FY19E. CARE Equity Research values adjusted equity shares of NFPIIL at a Current Intrinsic Value (CIV) of Rs.36.48 per share. Given, a fairly good revenue visibility on the back of strong presence of the company in Indian fire protection industry, we have used the discounted cash flow (DCF) methodology to arrive at valuation of the equity shares of NFPIIL. The following are the key assumptions for arriving at the valuation.

Table 4: NFPIIL: Valuation Assumptions

Cost of Equity	15.00%
Cost of Debt	9.00%
Tax Rate	15.00%
D/E ratio	0.67
WACC	12.10

Source: CARE Equity Research

Table 5: NFPIIL: Valuation based on DCF methodology

	(Rs. crore except per share data)			
	FY16E	FY17E	FY18E	FY19E
PAT	74	82	96	111
Depreciation	14	14	13	13
Interest (1-Tax Rate)	35	37	37	37
Capital Expenditure	(25)	(20)	(20)	(20)
Increase in Working Capital	(51)	(96)	(104)	(114)
Free Cash Flow (FCF)	46	16	22	26
Discount Rate	1.00	0.89	0.80	0.70
PV of FCF	46	15	17	19
PV of Terminal Value (based on PE multiple)				1,343
Total Discounted Value of Firm (Core Business)				1,440
Less: Net Debt (FY15UA)				396
Total Equity Value (Oil & Gas JV) @ book value of investments				23
Present Value of equity				1,067
No of Equity Shares (Crores)				29.26
CIV				36.48

Source: CARE Equity Research

ANALYSIS OF INTERIM RESULTS
Quarterly Income Statement

Consolidated (Rs. crore)	Q4FY15	Q4FY14	Q3FY15	Growth (y-o-y)	Growth (q-o-q)
Net Revenues	227.7	347.2	400.2	-34.4%	-43.1%
Total Expenditure	212.5	319.5	363.1	-33.5%	-41.5%
EBITDA	15.2	27.7	37.0	-45.3%	-59.1%
Depreciation and amortisation	4.9	2.9	3.7	70.8%	31.4%
EBIT	10.3	24.8	33.3	-58.7%	-69.2%
Interest	12.3	8.0	12.8	54.7%	-3.9%
PBT	0.7	11.6	22.0	-93.8%	-96.7%
PAT	0.6	11.2	21.2	-94.6%	-97.2%
Adj PAT	0.6	16.6	21.2	-96.4%	-97.2%
EBITDA Margin (%)	6.7%	8.0%	9.3%	-131.6 bps	-259.8 bps
Net Margin (%)	0.3%	4.8%	5.3%	-450.5 bps	-503.7 bps

Quarterly Income Statement

Standalone (Rs. crore)	Q4FY15	Q4FY14	Q3FY15	Growth (y-o-y)	Growth (q-o-q)
Net Revenues	112.1	155.0	97.2	-27.7%	15.4%
Total Expenditure	104.3	146.7	86.4	-28.9%	20.8%
EBITDA	7.8	8.3	10.8	-6.1%	-27.8%
Depreciation and amortisation	0.7	0.3	0.6	133.0%	25.5%
EBIT	7.1	8.0	10.3	-11.2%	-30.6%
Interest	12.1	6.6	5.3	84.5%	130.5%
PBT	2.3	1.2	6.1	89.1%	-62.4%
PAT	2.6	0.9	5.1	182.0%	-48.6%
Adj PAT	2.6	1.0	5.1	175.7%	-48.6%
EBITDA Margin (%)	7.0%	5.4%	11.1%	160.3 bps	-415.8 bps
Net Margin (%)	2.3%	0.6%	5.3%	173.0 bps	-292.3 bps

FINANCIAL STATISTICS
Consolidated Income Statement

(Rs. Crore)	FY13	FY14	FY15UA	FY16E	FY17E	FY18E
Net Revenues	705	1,016	1,140	1,340	1,541	1,695
EBITDA	81	109	116	127	140	155
Depreciation and amortization	5	11	14	14	14	13
EBIT	76	98	101	113	126	142
Interest	25	31	41	41	43	43
PBT	69	70	71	82	91	107
Ordinary PAT (Before minority interest)	59	67	67	74	82	96
PAT (After minority interest)	59	67	67	74	82	96
Fully Diluted Earnings Per Share* (Rs.)	1.9^	2.1^	2.3	2.5	2.8	3.3
Dividend, including tax	9	5	6	6	6	6

*Calculated based on ordinary PAT on Current Face Value of Rs.2/- per share;

^After factoring bonus issue of the company

Consolidated Balance Sheet

(Rs. Crore)	FY13	FY14	FY15UA	FY16E	FY17E	FY18E
Tangible Net worth (including Minority Interest)	317	370	443	511	587	678
Debt (incl. Preference Shares)	353	392	415	430	450	470
Deferred Liabilities	-	-	1	1	1	1
Capital Employed	670	763	859	942	1,038	1,149
Net Fixed Assets, incl. Capital WIP, net of revaln reserve	182	199	214	225	232	239
Investments	36	36	36	36	36	36
Inventory	74	127	108	151	126	167
Loans and Advances	140	177	243	251	275	290
Receivables	265	300	398	430	486	510
Cash and Cash Equivalents	58	37	20	30	27	27
Current Assets, Loans and Advances	537	641	769	837	914	994
Less: Current Liabilities and Provisions	85	113	160	156	143	120
Total Assets	670	763	859	942	1,038	1,149

Consolidated Ratios based on Financials

	FY13	FY14	FY15UA	FY16E	FY17E	FY18E
Growth in net revenues	31.5%	44.2%	12.8%	10.5%	10.5%	10.5%
Growth in EBITDA	19.5%	35.0%	6.1%	9.7%	10.5%	10.5%
Growth in PAT	17.7%	29.5%	2.8%	11.5%	12.2%	12.0%
Growth in EPS	-2.4%	8.3%	8.8%	9.6%	12.0%	16.6%
EBITDA Margin	11.4%	10.7%	10.1%	10.0%	10.0%	10.0%
PAT Margin	9.0%	6.6%	5.9%	5.8%	5.9%	6.2%
RoCE	11.5%	13.1%	11.8%	11.3%	11.5%	11.7%
RoE	21.9%	19.3%	16.5%	15.4%	15.0%	15.2%
Gross Debt-Equity (times)	1.1	1.1	0.9	0.8	0.8	0.7
Net Debt-Equity (times)	0.9	1.0	0.9	0.8	0.7	0.7
Interest Coverage (times)	3.2	3.6	2.8	3.1	3.3	3.6
Current Ratio (times)	6.3	5.7	4.8	5.4	6.4	8.3
Inventory Days	102	64	74	79	76	74
Receivable Days	113	102	111	119	119	117
Adjusted Price / Earnings (P/E) Ratio	13.6^	12.2^	12.1	-	-	-
Adjusted Price / Book Value(P/BV) Ratio	2.6^	2.2^	1.8	-	-	-
Adjusted Enterprise Value (EV)/EBITDA	13.7^	10.7^	10.4	-	-	-

Source: Company, CARE Equity Research

^After factoring bonus issue of the company

EXPLANATION OF GRADES

Through CEG, CARE Equity Research addresses two critical factors considered by an investor while investing in a particular company's equity shares:

1. **Fundamentals:** Whether the company is fundamentally sound with respect to its business, its financial position, its management and its prospects.
2. **Valuation:** What is the Current Intrinsic Value (CIV) of the stock and how it compares vis-a-vis its Current Market Price (CMP).

These factors are answered assigning quantitative grades to both these parameters. CEG is the snapshot of 'Fundamental Grade' and 'Valuation Grade' assigned by CARE Equity Research.

Fundamental Grade

This grade represents how sound the company is fundamentally, vis-à-vis other listed companies in India. This grade captures:

1. Business Fundamentals and Prospects
2. Financial Soundness
3. Management Quality
4. Corporate Governance Practices

The grade is assigned on a five-point scale as under:

CARE Fundamental Grade	Evaluation
5/5	Strong Fundamentals
4/5	Very Good Fundamentals
3/5	Good Fundamentals
2/5	Modest Fundamentals
1/5	Weak Fundamentals

Valuation Grade

This grade represents the potential value in the company's equity share for the investor over a 1-year period. The Current Intrinsic Value (CIV) or the price arrived by CARE Equity Research on fundamental basis is compared with the Current Market Price (CMP) of the stock and the grade is assigned based on the gap between CIV and CMP of the stock.

The grade is assigned on a five-point scale as under:

CARE Valuation Grade	Evaluation
5/5	Considerable Upside Potential (>25% upside from CMP)
4/5	Moderate Upside Potential (10-25% upside from CMP)
3/5	Fairly Priced (+/-10% from CMP)
2/5	Moderate Downside Potential (10-25% downside from CMP)
1/5	Considerable Downside Potential (>25% downside from CMP)

Grading determination is a matter of experienced and holistic judgment, based on relevant quantitative and qualitative factors of the company in relation to other listed companies

About Us

DISCLOSURES

- Each member of the team involved in the preparation of this grading report, hereby affirms that there exists no conflict of interest that can bias the grading recommendation of the company.
- This report has been sponsored by the company.

DISCLAIMER

This report is prepared by Credit Analysis & Research Limited [CARE]. CARE has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in public domain or from sources considered reliable. However, neither the accuracy nor completeness of information contained in this report is guaranteed. Opinions expressed herein are our current opinions as on the date of this report.

CARE's valuation of the security is mainly based on company-specific fundamental factors. Equity prices are affected by both fundamental factors as well as market factors such as – liquidity, sentiment, broad market direction etc. The impact of market factors can distort the price of the security thereby deviating from the intrinsic value for extended period of time. CARE EquiGrade on a security should not be construed as recommendation to buy, sell or hold a security; also it is not a comment on the suitability of the investment to the reader. The subscriber / user assume the entire risk of any use made of this report or data herein. CARE specifically states that it or any of its divisions or employees do not have any financial liabilities whatsoever to the subscribers / users of this report. This report is for personal information only of the authorised recipient in India only. This report or part of it should not be reproduced or redistributed or communicated directly or indirectly in any form to any other person, especially outside India or published or copied for any purpose.

Published by Credit Analysis & Research Ltd., 4th Floor Godrej Coliseum, Off Eastern Express Highway, Somaiya Hospital Road, Sion East, Mumbai – 400 022.

CARE is not responsible for any errors or omissions in analysis/inferences/views or for results obtained from the use of information contained in this report and especially states that CARE (including all divisions) has no financial liability whatsoever to the user of this product. This report is for the information of the intended recipients only and no part of this report may be published or reproduced in any form or manner without prior written permission of CARE.

About CARE Ratings

Credit Analysis & Research Ltd. was promoted in 1993 by some of the leading Indian banks and financial institutions. CARE Ratings is amongst the premier credit rating agencies in India and provides credit rating, research and information services. CARE Ratings is well equipped to rate all types of debt instruments including Commercial Papers, Fixed Deposits, Bonds, Debentures, Hybrid Instruments, Preference Shares, Loans, Structured Obligations, Asset Backed Securities, Residential Mortgage Backed Securities etc. CARE's rating methodologies are in line with the best international practices.

MUMBAI | Mr. Manish Sukhija | Cell: +91-9820353638 | Tel: +91-22-6144 3504 | E-mail: manish.sukhija@careratings.com | 5th Floor, Kaledonia, Sahar Road, Off Western Express Highway, Near Andheri Station, Andheri (East), Mumbai - 400 069.

AHMEDABAD | Mr. Sharad Pandya | Cell: +91-85111 13904 | Tel: +91-79-4026568 | Fax: +91-79-40265658 | E-mail: sharad.pandya@careratings.com | 32, Titanium, Prahalad nagar Corporate Road, Satellite, Ahmedabad - 380 015.

BENGALURU | Mr. Sandeep Kothapalli | Cell: +91-72597 14863 | Tel: +91-80-22117140 |

E-mail: sandeep.kothapalli@careratings.com | Unit No.1101-1102, 11th Floor, Prestige Meridian II, No.30, M. G. Road, Bengaluru - 560 001.

CHANDIGARH | Mr. Sajan Goyal | Cell: +91 - 99888 05650 | Tel: +91-172- 51711100 | E-mail: sajan.goyal@careratings.com | SCO 196-197, 2nd Floor, Sector 34 A, Chandigarh - 160022.

CHENNAI | Mr. V Pradeep Kumar | Cell: +91 9840754521 | Tel: +91-44-2849 7812/2849 0811 | Fax: +91-44-2849 0876 | Email: pradeep.kumar@careratings.com | Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai - 600 002

HYDERABAD | Mr. Saikat Roy | Cell: +91-98209 98779 | Tel: +91-40-40102214 | E-mail: saikat.roy@careratings.com | 401, Ashoka Scintilla, 3-6-520, Himayat Nagar, Hyderabad - 500 029.

JAIPUR | Mr. Harsh Raj Sankhla | Cell: +91 - 9413969100 | Tel: +91-0141-4020213/14 |

E-mail: harshraj.sankhla@careratings.com | 304, Pashupati Akshat Heights, Plot No. D-91, Madho Singh Road, Near Collectorate Circle, Bani Park, Jaipur - 302016

KOLKATA | Ms. Priti Agarwal | Cell: +91-9831967110 | Tel: +91-33- 4018 1600 | E-mail: priti.agarwal@careratings.com | 3rd Flr., Prasad Chambers (Shagun Mall Bldg), 10A, Shakespeare Sarani, Kolkata -700 071