

# Nitin Fire (NITFIR)

₹ 96

Rating matrix	
Rating	: <b>Hold</b>
Target	: ₹ 91
Target Period	: 12-15 months
Potential Upside	: -5%

Key Financials				
₹ Crore	FY10	FY11	FY12E	FY13E
Net Sales	313.9	437.8	521.6	583.2
EBITDA	56.8	64.6	73.1	76.5
Net Profit	41.9	53.4	45.6	47.8
EPS (Rs)	6.6	8.5	7.2	7.6

Valuation summary				
	FY10	FY11	FY12E	FY13E
P/E	14.5	11.3	13.3	12.7
Target P/E	13.7	10.7	12.6	12.0
EV / EBITDA	12.6	10.9	8.9	8.1
P/BV	3.3	2.6	2.2	1.9
RoNW(%)	23.0	22.8	16.4	14.8
RoCE (%)	16.9	17.0	17.2	15.7

Stock data	
Market Capitalization	₹ 605 crore
Total Debt (FY11)	₹ 145.6 crore
Cash (FY11)	₹ 12 crore
EV	₹ 739 crore
52 week H/L	108 / 57
Equity capital	₹ 12.6 crore
Face value	₹ 2
MF Holding (%)	5.7
FII Holding (%)	10.5



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## WHAT'S CHANGED...

PRICE TARGET .....	Changed from ₹ 85 to ₹ 91
EPS (FY12E) .....	Changed from ₹ 8.9 to ₹ 7.2
EPS (FY13E) .....	₹ 7.6
RATING .....	Changed from Buy to Hold

## Strong results, fairly valued...

Nitin Fire reported its Q4FY11 results. The company's standalone sales for the quarter witnessed robust growth of ~67% to ₹ 52.5 crore against ₹ 31.4 crore in Q4FY10. Margins also increased ~240 bps to 16.8% against 14.3% in the corresponding quarter last year. The major contributors to the company's higher margins were lower employee costs and lower other expenditure. Employee costs to sales were lower by 140 bps to 2.5% while the other expenditure declined by 530 bps to 7.8%. However, higher commodity prices increased the raw material cost to sales ratio to ~73% in Q4FY11 from ~69% in Q3FY10. Despite higher EBITDA margin, PAT margins witnessed a marginal decline and stood at 11.7% in Q4FY11 against 11.9% in Q4FY10. This was mainly on account of higher tax of ₹ 2.3 crore paid during the quarter against a tax write-back of ₹ 0.7 crore in the corresponding quarter last year.

### Consolidated results

Nitin Fire's consolidated Q4FY11 results are not comparable with the corresponding period last year due to an associate company becoming a step down subsidiary (from April 1, 2010). Prior to this, it was an associate while a wholly-owned subsidiary became an associate (from December 29, 2010).

The company's consolidated Q4FY11 and FY11 sales stood at ₹ 83.6 crore and ₹ 437.8 crore, respectively. The margins for the quarter stood at 22.5% and for the year at 15.3%. The PAT for the quarter ended was ₹ 10.6 crore and for the year was ₹ 53.4 crore. For 2011, the company reported other income of ₹ 12.9 crore (profit from sale of business). Hence, the adjusted PAT for FY11 stood at ₹ 40.5 crore.

## Valuation

At the CMP, the stock is trading at 13.3x and 12.7x its FY12E and FY13E EPS of ₹ 7.2 and ₹ 7.6, respectively. The stock has run up significantly in the past two or three months from ₹ 60 (February, 2011) to ₹ 100 (May, 2011). Hence, we believe it is fairly priced. We value the stock at 12x its FY13E EPS of ₹ 7.6, assigning it a **HOLD** rating with a TP of ₹ 91.

### Exhibit 1: Financial Performance

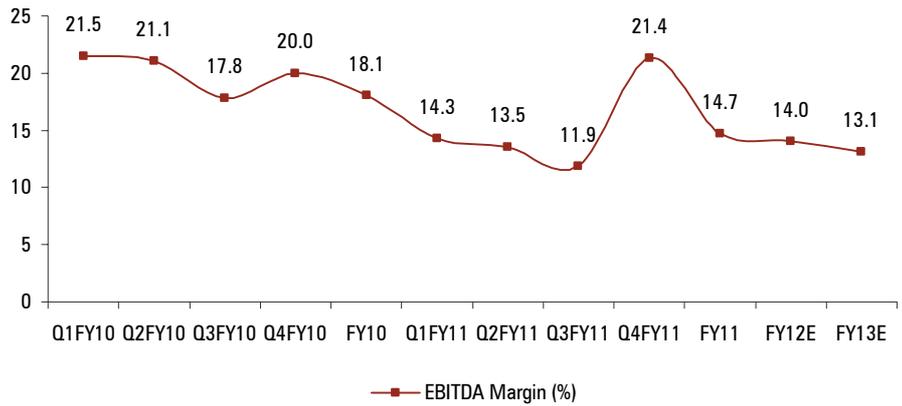
(₹ Crore)	Q4FY11	Q4FY11E	Q4FY10	Q3FY11	YoY(%)	QoQ(%)
Net Sales	83.6	118.1	105.4	109.0	-20.7	-23.3
EBITDA margin (%)	21.4	15.9	20.0	11.9	138bps	947bps
Depreciation	0.7	1.8	1.7	1.7	-58.7	-58.5
Interest	2.6	2.7	3.5	3.2	-26.3	-21.2
Other Income	1.1	1.6	1.2	1.1	-9.9	-1.9
Reported PAT	10.8	15.1	15.5	19.3	-30.5	-44.4
EPS (₹)	1.7	2.4	2.2	3.1	-22.6	-44.4

Source: Company, ICICIdirect.com Research

\*The quarterly nos. and estimates are on a consolidated basis.

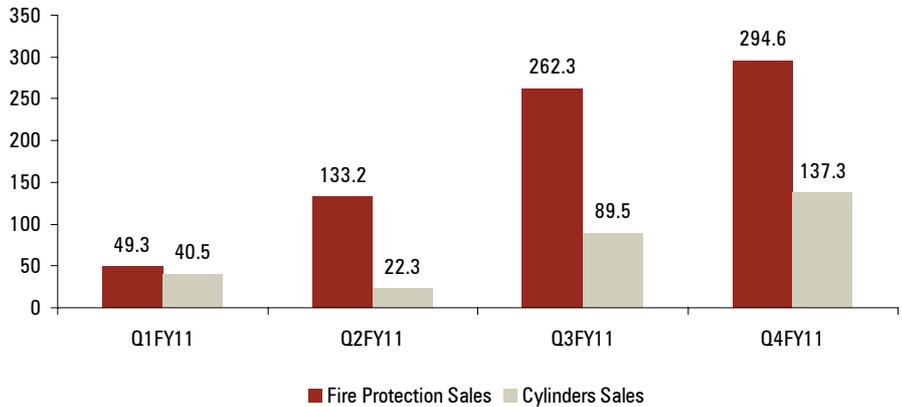
Better operational management, in spite of increasing raw material expenses helped the company to improve its margins during the quarter. However, margins for the year were lower at ~15%. Going ahead, we expect the higher costs to pull down the margins further to 14% and 13%, respectively, in FY12E and FY13E

**Exhibit 2: EBITDA margins trend (Quarterly)**



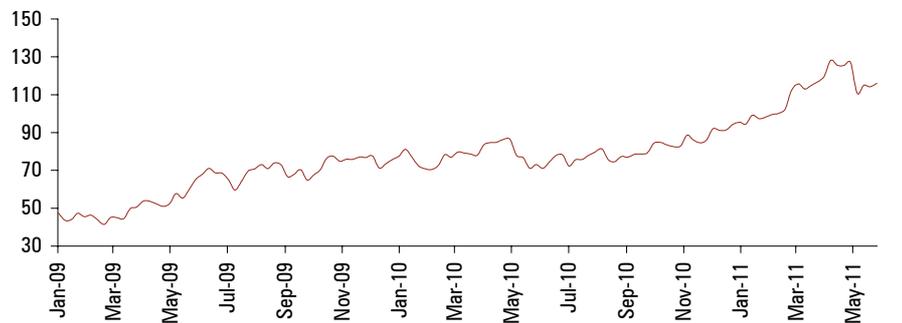
Source: Company, ICICIdirect.com Research

**Exhibit 3: Segment sales break-up in ₹ crore (Quarterly)**



Source: Company, ICICIdirect.com Research

**Exhibit 4: Crude prices trend (USD/bbl)**



Source: Company, ICICIdirect.com Research

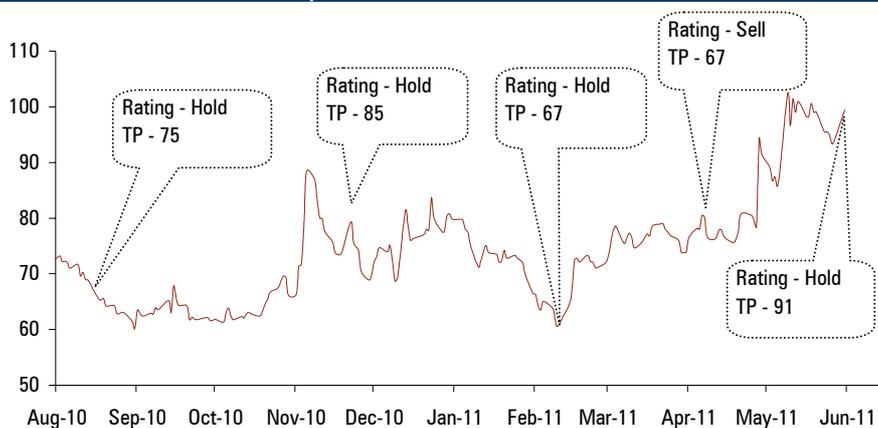
Rising crude prices and increasing usage of CNG cylinders by the automobiles segments maintained the sales growth for CNG cylinders. Going ahead, we expect CNG cylinders to increase their share in the topline

## ICICIdirect.com Coverage Universe

Praj Industries					Sales (₹ crore)	EPS (₹)	PE (x)	EV/E (x)	RoNW (%)	RoCE (%)
Idirect Code	PRAIN	CMP	73	FY11	552.9	2.9	25.2	25.0	9.6	10.5
		Target	82	FY12E	649.5	5.3	13.9	10.3	16.0	20.4
MCap	1349.0	Upside	11.7%	FY13E	697.6	5.5	13.3	9.1	15.6	20.0
Everest Kanto Cyliders										
Idirect Code	EVEKAN	CMP	88	FY11	776.3	6.6	13.4	9.0	9.2	12.4
		Target	97	FY12E	842.8	7.9	11.1	7.0	10.0	13.2
MCap	942.9	Upside	10.6%	FY13E	908.5	9.7	9.0	5.5	11.0	13.4
Nitin Fire Protection										
Idirect Code	NITFIR	CMP	96	FY11	437.8	8.5	11.3	10.9	22.8	17.0
		Target	91	FY12E	521.6	7.2	13.3	8.9	16.4	17.2
MCap	604.9	Upside	-5.3%	FY13E	583.2	7.6	12.7	8.1	14.8	15.7

Source: Company, ICICIdirect.com Research

## Exhibit 5: Recommendation History



Source: Company, ICICIdirect.com Research

## **RATING RATIONALE**

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Strong Buy: 20% or more;  
Buy: Between 10% and 20%;  
Hold: Up to +/-10%;  
Sell: -10% or more;

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## **ANALYST CERTIFICATION**

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