

Nitin Fire (NITFIR)

₹ 111

WHAT'S CHANGED...

PRICE TARGET	Changed from ₹ 340 to ₹ 110
EPS (FY09E)	Changed from ₹ 30.40 to ₹ 35
EPS (FY10E)	Changed from ₹ 44.70 to ₹ 31.50
RATING	Unchanged

International sales drive revenue growth...

Nitin Fire Protection Industries Ltd's (NFPI) Q1FY12 results witnessed a robust increase in topline to ₹ 161.5 crore against ₹ 89.7 crore in Q1FY11 led by a significant increase in international sales. Margins also improved ~220 bps to 16.5% over 14.3% in Q1FY11. Margin improvement was led by the company's rationalisation of other expenses and marginal savings in employee cost though the raw material cost pressure continued during the quarter. Other manufacturing expenses were lower by ~380 bps while employee expenses were lower by ~20 bps to 3.0% and 2.7% of net sales, respectively. Consequent to the higher sales and margins, earnings during the quarter jumped to ₹ 23.6 crore over ₹ 9.6 crore in the corresponding quarter last year.

Standalone performance review

On a standard basis, sales grew 8.2% to ₹ 29.3 crore vs. ₹ 27.1 crore in Q1FY11. Though raw material cost to sales was lower at 71.7% vs. 73.5% in Q1FY11, standard employee cost and other manufacturing expenses were comparatively higher at 4.5% (higher by 120 bps YoY) and 6.2% (higher by 70 bps YoY), respectively. Hence, margins were sustained at 17.6% vs. 17.8% in Q1FY11. Earnings during the quarter stayed in line with that of the corresponding quarter last year at ₹ 3.3 crore.

Sales break-up

During the quarter, NFPI's domestic sales witnessed growth of 32.2% to ₹ 42.1 crore from ₹ 31.8 crore in Q1FY11. Comparatively, the growth in the international business was robust at ~106% to ₹ 119.3 crore over ₹ 57.9 crore in the corresponding quarter last year.

Valuation

At the CMP, the stock is trading at 9.1x and 8.3x its FY12E and FY13E EPS of ₹ 12.2 and ₹ 13.3, respectively. With strong growth in the fire fighting segment, increasing sales volumes of CNG cylinders overseas and higher realisations of CNG cylinders, we believe the company would continue to witness robust revenue growth. The stock had run up before the results and we believe it is fairly valued at the CMP. We have valued the stock at 9x its FY12E EPS of ₹ 12.2 with a target price ₹ 112 and **HOLD** rating.

Exhibit 1: Financial Performance

(₹ Crore)	Q1FY12	Q1FY12E	Q1FY11	Q4FY11	QoQ(%)	YoY(%)
Net Sales	161.5	115.8	89.7	83.6	93.2	79.9
EBITDA margin (%)	16.5	16.0	14.3	21.4	-485bps	223bps
Depreciation	0.7	1.0	1.3	0.7	-6.0	-49.5
Interest	2.4	2.9	3.2	2.6	-7.6	-27.2
Other Income	0.2	0.8	0.1	1.1	-85.2	129.5
Reported PAT	23.6	11.6	9.6	10.8	119.7	145.5
EPS (₹)	3.8	1.8	1.1	1.7	119.7	233.1

Source: Company, ICICIdirect.com Research

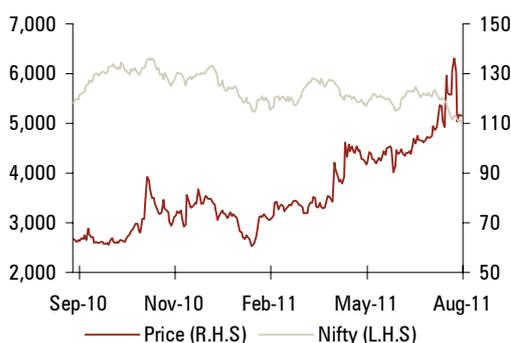
Rating matrix	
Rating	: Hold
Target	: ₹ 112
Target Period	: 12 months
Potential Upside	: 1%

Key Financials				
₹ Crore	FY10	FY11	FY12E	FY13E
Net Sales	313.9	437.8	538.7	585.1
EBITDA	56.8	64.6	93.3	112.0
Net Profit	41.9	53.4	76.6	84.0
EPS (Rs)	6.6	8.5	12.2	13.3

Valuation summary				
	FY10	FY11	FY12E	FY13E
P/E	16.7	13.1	9.1	8.3
Target P/E	18.1	14.2	9.9	9.0
EV / EBITDA	14.2	12.9	8.2	6.2
P/BV	3.8	3.0	2.3	1.8
RoNW(%)	23.0	23.2	25.1	21.7
RoCE (%)	16.9	15.7	23.4	22.4

Stock data	
Market Capitalization	₹ 700 crore
Total Debt (FY11)	₹ 145.6 crore
Cash (FY11)	₹ 12 crore
EV	₹ 833.6 crore
52 week H/L	145 / 58
Equity capital	₹ 12.6 crore
Face value	₹ 2
MF Holding (%)	1.6
FII Holding (%)	11.4

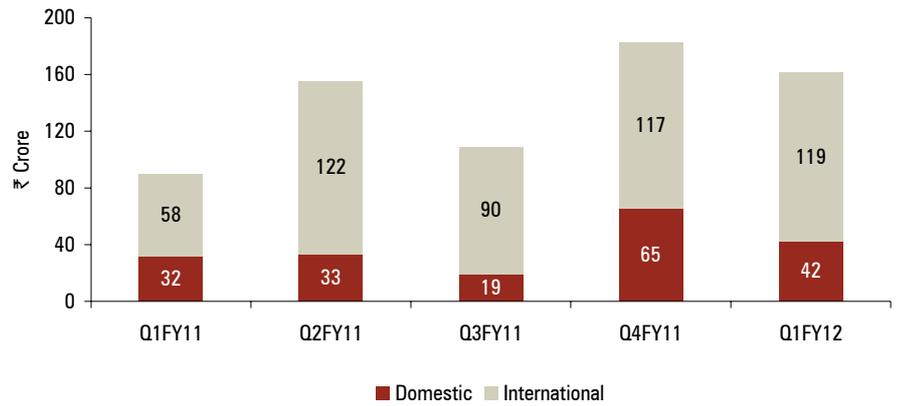
Price movement



Analyst's name

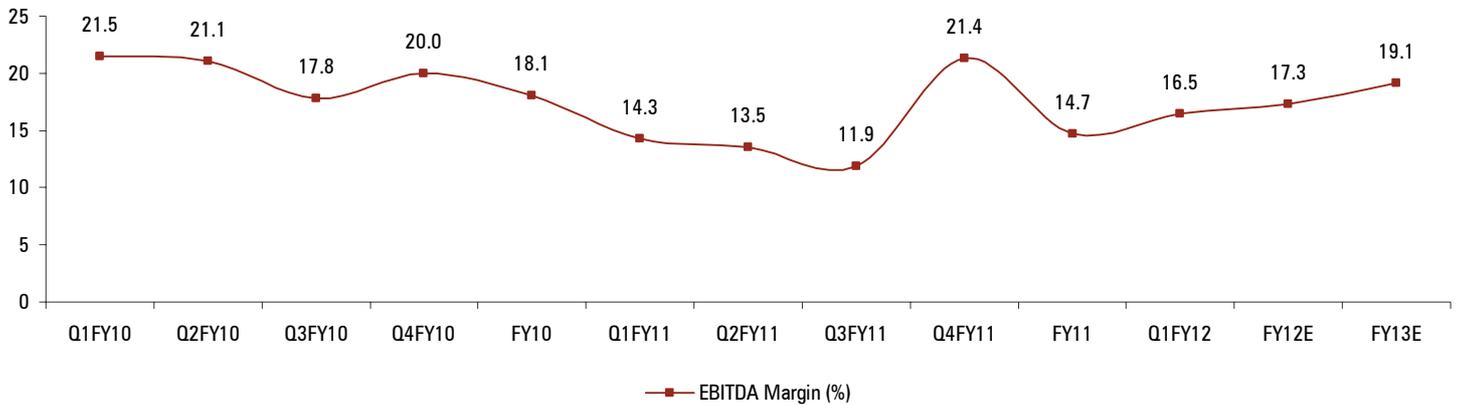
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Exhibit 2: Geographic break-up of sales



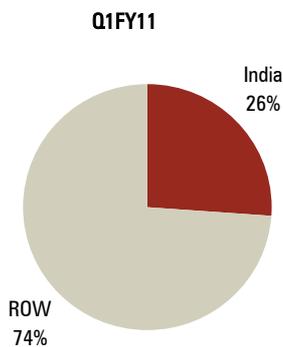
Source: Company, ICICIdirect.com Research

Exhibit 3: EBITDA margins trend (Consolidated)



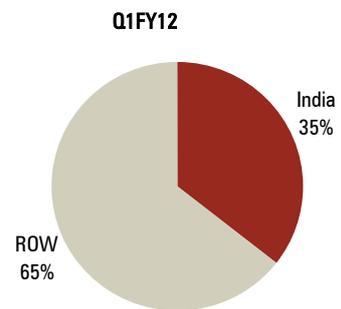
Source: Company, ICICIdirect.com Research

Exhibit 4: Geographical break-up of sales (Q1FY11)



Source: Company, ICICIdirect.com, Research

Exhibit 5: Geographical break-up of sales (Q1FY12)



Source: Company, ICICIdirect.com, Research

ICICIdirect.com Coverage Universe

Everest Kanto Cylinders					Sales (₹ crore)	EPS (₹)	PE (x)	EV/E (x)	RoNW (%)	RoCE (%)
Idirect Code	EVEKAN	CMP	74	FY11	776.3	6.6	11.3	7.9	9.2	12.4
		Target	104	FY12E	842.8	9.3	7.9	5.6	11.6	14.2
MCap	792.9	Upside	40.8%	FY13E	908.5	10.4	7.1	4.5	11.5	13.8
Nitin Fire Protection										
Idirect Code	NITFIR	CMP	111	FY11	437.8	8.5	13.1	12.9	23.2	15.7
		Target	112	FY12E	538.7	12.2	9.1	8.2	25.1	23.4
MCap	699.5	Upside	0.7%	FY13E	585.1	13.3	8.3	6.2	21.7	22.4
Praj Industries										
Idirect Code	PRAIN	CMP	70	FY11	552.9	2.9	24.2	27.5	9.8	10.7
		Target	100	FY12E	703.5	3.6	19.2	14.6	11.4	14.2
MCap	1293.6	Upside	42.9%	FY13E	817.5	5.6	12.5	9.5	15.3	17.6

Source: Company, ICICIdirect.com Research

Exhibit 6: Recommendation History



Source: Company, ICICIdirect.com Research

Exhibit 7: Recent Releases

Date	Event	CMP	Target Price	Rating
8-Oct-10	Q2FY11 Preview	62	75	STRONG BUY
22-Nov-10	Q2FY11 Result Update	76	85	HOLD
10-Jan-11	Q3FY11 Preview	72	85	BUY
11-Feb-11	Q3FY11 Result Update	65	61	HOLD
8-Apr-11	Q4FY11 Preview	76	67	SELL
2-Jun-11	Q4FY11 Result Update	94	91	HOLD
5-Jul-11	Q1FY12 Preview	101	91	HOLD

Source: Company, ICICIdirect.com Research

RATING RATIONALE

ICICIdirect.com endeavours to provide objective opinions and recommendations. ICICIdirect.com assigns ratings to its stocks according to their notional target price vs. current market price and then categorises them as Strong Buy, Buy, Hold and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock.

Strong Buy: > 15%/20% for large caps / midcaps, respectively;
Buy: Between 10% and 15%/20% for large caps / midcaps, respectively;
Hold: Up to +/-10%;
Sell: -10% or more;

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