

Management Meet Note: Nitin Fire Protection Industries Limited

Date: June 7, 2011

CMP: 94.45

Basic Information			
Industry	Fire Protection		
Chairman	Mr. Nitin M. Shah		
BSE Code	532854		
Bloomberg Code	NFPI.IN		
Reuters Code	NIFP.BO		
ISIN Code	INE489H01020		
Scrip Information			
52 Week High /Low	107.8 / 57.2		
Face Value	INR 2.0		
Financial Year	March 31		
Number of Shares	63.01 Mln		
Market Capitalization	INR 5,951 Mln		
3 Month Avg. Vol.	401,552		
One Year Avg. Vol.	188,753		
Shareholding Pattern as on March 31, 2011			
Promoters	70.27%		
Institutions:			
FII's	10.47%		
DII's	<u>5.47%</u> 16.21%		
Non Institutions:	13.52%		
Bodies Corporate	4.02%		
Total	100.00%		
KEY PERFORMANCE INDICATORS			
Particulars	FY11	FY10	FY09
OPM* (%)	15.2	18.2	20.1
NPM* (%)	12.1	13.3	12.8
EPS	8.5#	33.3	25.0
BVPS	37.0#	144.0	116.7
RONW (%)	23.8	23.1	21.4
#Stock Split: 5:1			
* Excluding Other Income			

BACKGROUND

Incorporated in September 1995, Nitin Fire Protection Industries (NFPI) took over the business of the proprietary concern of its promoters 'Nitin Industries' in 1997.

The company has been on an acquisition spree over the last five years:

- In 2005, acquired (i) 100% stake in Alert Fire Protection Systems, engaged in the business of Fire detection & alarm systems, owned by its promoters & (ii) Eurotech Cylinders, engaged in the business of supply of high pressure seamless cylinders.
- In January 2006, acquired a 100% stake in Logicon Building Systems, engaged in the business of security solution business.
- In September 2006, NFPI incorporated a wholly owned subsidiary, Nitin Cylinders with installed capacity to manufacture 5,00,000 cylinders p.a. at Vizag SEZ and sells High Pressure seamless CNG cylinders under the brand 'NITIE'.
- In October 2006, took a 100% share in partnership concern 'Eurotech Corporation' engaged in the manufacture of fire extinguishers with plant located at Parwanoo, Himachal Pradesh.
- In January 2010, NFPI through its 100% subsidiary, Nitin Venture FZE, UAE acquired 49% stake in a Dubai based fire protection company 'New Age Company LLC'.

Presently, NFPI with its five subsidiaries is engaged in the business of fire protection, a safety, securities and Intelligent Building Management system, High Pressure Seamless Cylinders and Refueling Systems in India, Dubai and Singapore. It has two Manufacturing cum warehousing units situated at Vashi and Taloja, Near Mumbai. At the Vashi facility, the company manufactures a range of portable firefighting equipments.

NFPI has strong tie-ups with Kidde Fire Protection, DuPont, Apollo Fire Detectors Ltd, Beijing Tianhai Industry Company Ltd (BTIC) for various products. The products are approved by BIS approval and bear ISI mark. NFPI also has a system design & service center in Mumbai. Apart from portable firefighting equipment, it undertakes turnkey projects for design, manufacture, install commission and supply of complete Fire detection and suppression systems, using the latest techniques.

In March 2007, under NELP-VI round of Govt. of India, NFPI along with GSPC, GAIL, HPCL, BPCL, Hallworthy Shipping, SA, and Silverware Energy, entered into a Production Sharing Contract for exploration of crude oil block in Rajasthan admeasuring a contract area of 4613 sq km. The company has an 11% stake in the consortium and its total investment as on March 31, 2011 stood at **INR 151 Mln.**

Recent Developments:

- In FY11, Nitin Fire sold its 60% stake in Nitin Cylinders, a loss making subsidiary to Worthington Cylinders for USD 21 Mln.
- NFPI is in the process of merging Logicon Building Systems and Alert Fire Protection Systems with the parent company.

INVESTMENT RATIONALE



Wide Range of Product to Offerings:

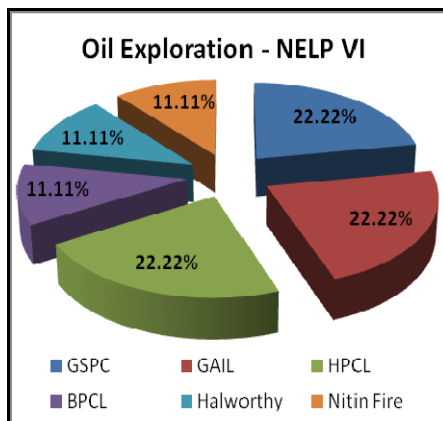
The diversified product portfolio of NFPIIL caters to entire range of Fire Protection, Safety and Security including Intelligent Building Management Systems. It also provides automated water and gas based fire suppression systems along with fire detection and security systems on turnkey basis. Also, the company claims to be the only Indian company to have 86 approvals from Underwriters Laboratories Inc., USA; Loss Prevention Certification Board, U.K. and VDS, Germany.

The broad range of products and services sourced through tie-ups with reputed companies across the globe enables the company to provide comprehensive and high value added end-to-end solutions to customers from various industries. Additionally its presence in UAE and Singapore through its subsidiaries enables Nitin Fire to cater to a broader base of clients across different geographies. NFPIIL has already expanded its reach into countries like - Indonesia, Malaysia, Afghanistan, Saudi Arabia, Qatar, Bahrain, Spain, England and Bangladesh.

Proven Track Record & Strong Order Book:

NFPIIL has over two decades of experience and the required expertise for execution and installation of large-scale complex projects in the Fire Protection Systems segment. It has to its credit, the off-shore installation at ONGC platform, Bombay High, Control Room at Reliance refineries, Jamnagar. The company has been servicing marquee clients like TATA, Indian Oil, Vodafone, Aircel, Glenmark, Maruti Suzuki, etc. in the field of telecom, data centres, refineries, offshore oil platforms and institutions like BSE. Nitin Fire's order book for the next 6 months stands at **INR 1,450 Mln.**

Thus, with its diverse products and service offerings and proven track record, NFPIIL has created its own niche in the fire protection and suppression industry. Also, the long standing relationships with existing customers and steady acquisition of new customers will continue to benefit Nitin Fire in expanding its footprint in the emerging APAC markets and the Gulf region.



Oil Exploration can boost company's revenue:

NFPIIL's entry into oil exploration field is expected boost it's bottom-line in the near future as the management is quite positive of drilling oil from its oil reserve in Rajasthan within the next 6 to 7 months. As per recent estimates, the block has a potential of **32.3 Mln barrels** of prospective four wells of oil reserve (Source: GSPC DRHP).

According to the company's sources, trial of the drilling activities would be starting in June'11 which would give the company a clear status about the oil reserves. Also, rig building is in progress at location C, consent to establish (CTE) granted by RSPCB Jaipur for location A and C. Hence, if the company is successful in its oil exploration project, it shall facilitate Nitin Fire in generating an additional stream of revenues and profits.

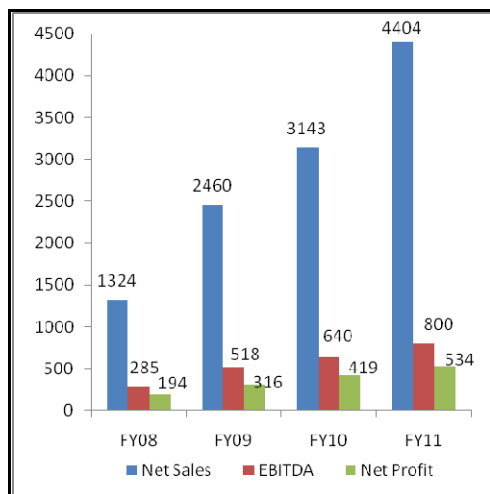
CONCERNS

Competition:

Nitin Fire faces stiff competition in the high pressure seamless cylinders segment from Indian players like Everest Kanto Cylinders and Rama Cylinders and international companies like Luxfer, Dynetek, Argentoil, etc.

In the fire protection space, it competes with Honeywell, Tyco, Johnson Controls, etc. Increase in competition could make it difficult for the company to sustain its growth.

FINANCIAL HIGHLIGHTS

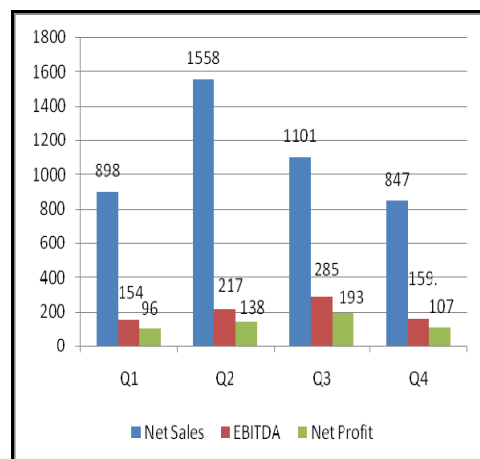


Annual Performance (Consolidated)

(INR in Mln)

Particulars	FY08	FY09	FY10	FY11
Net Sales	1,324	2,460	3,143	4,404
Y-o-Y Growth		85.8%	27.8%	40.0%
EBITDA	285	518	640	800
Y-o-Y Growth		81.8%	23.5%	23.5%
Margin	21.5%	21.1%	20.4%	15.2
PBT	263	413	507	617
PAT	194	316	418	534
Y-o-Y Growth		62.3%	32.5%	27.3%
Margin	14.7%	12.8%	13.3%	12.1%
EPS	15.4	25.0	6.7	8.5
BVPS	90.7	116.7	28.8	37.6
Equity Capital*	126	126	126	126
Reserves	1,017	1,345	1,688	2,241
Net worth	1,143	1,471	1,814	1,814

*Sub-divided equity share of Rs.10/- each into 5 equity shares of Rs.2/- each.



Quarterly Performance (Consolidated)

(INR in Mln)

Particulars	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11
Net Sales	898	1,558	1,101	847
Y-o-Y Growth	67.4%	167.0%	11.9%	-19.7
EBITDA	154	217	285	159
Margin	17.2%	13.9%	25.9%	22.3%
Interest	(32)	(28)	(32)	(26)
Depreciation	(13)	(17)	(17)	(7)
PBT	109	172	236	124
PAT	96	164	193	107
Y-o-Y Growth	22.0%	207.9%	64.3%	-23.1%
Margin	10.7%	10.5%	17.6%	12.6%
Equity Capital	126	126	126	126

Steady Financial Performance:

The consolidated financial performance of NFPIL has been impressive. During FY08-10, revenue has moved up from INR 1,324 Mln to INR 3,143 Mln with EBITDA rising sharply from INR 285 Mln to INR 640 Mln. The PAT grew significantly from INR 194 Mln to INR 419 Mln. The contribution of domestic sales to total sales has gone down substantially from 63% to 35% which has been replaced largely by international sales. For FY10, share of overseas sale increased substantially to 65%.

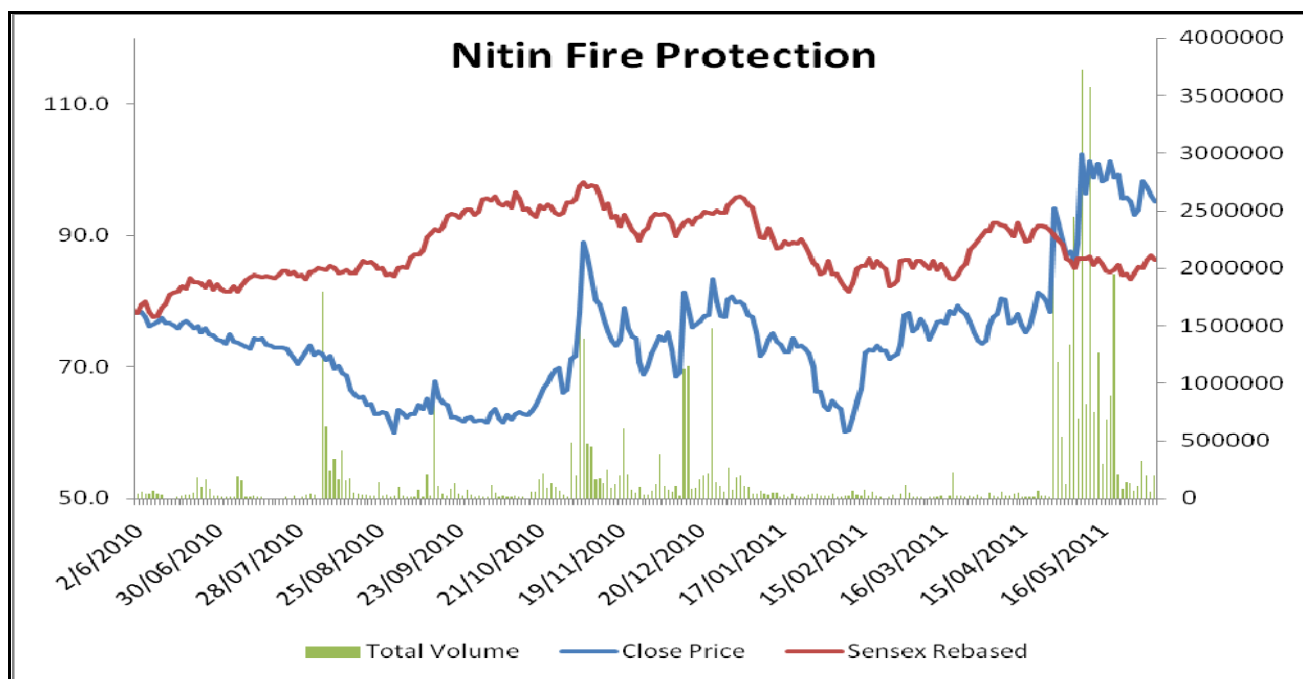
For FY11, the company has surpassed its performance for entire FY10. With a turnover of INR 3,143 Mln; it earned EBITDA of INR 640 Mln. However, EBITDA margin came under pressure as it dipped from 18.20% in FY10 to 15.2%, mainly due to rise in the cost of raw material imported from China. PAT stood at INR 568 Mln growing by 27.3% from INR 450 Mln in FY10.

The company has repaid all its debt through the funds generated out of 60% stake sale of Nitin Cylinders to Worthington and became debt free. Presently the company has free cash flow amounting to INR 5 Mln. NFPIL also plans to raise USD 50 Mln through QIP for organic/inorganic growth.

More than 1% Shareholders as on March 31, 2011

Description	No. of Shares	% Holding
Orange Mauritius Investments Limited	2,950,935	4.68
United India Insurance Company Limited	2,216,620	3.52
Swiss Finance Corporation Mauritius Limited	1,639,377	2.60
General Insurance Corporation of India	1,391,830	2.21
Kotak Mahindra Investments Limited	896,454	1.42
VCM Limited, Mauritius	884,792	1.40
Emerging India Focus Funds	850,240	1.35
Total	10,830,248	17.19

ONE YEAR DAILY SHARE PRICE PERFORMANCE



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