

**Key Share Data**

Face Value (₹)	2.0
Equity Capital (₹mn)	438.4
M.Cap (₹ mn)	14029.2
52-wk High/Low (₹)	89/50
Avg. Daily Vol	186425
BSE Code	532854
NSE Code	NITINFIRE
Reuters Code	NIFP.NS
Bloomberg Code	NFPI IN

**COMPANY PROFILE**

Nitin Fire Protection Industries Ltd (NFPI) is an end to end solution provider for fire protection, safety and security systems with the capabilities in designing, engineering, commissioning and maintenance. The company's assembling lines are situated at TTC Industrial Area, Vashi, Navi Mumbai; and Vishakhapatnam. The company deals in various types of fire fighting accessories and systems at the above facilities.

**FUTURE OUTLOOK**

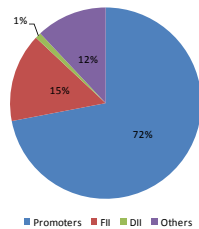
**Topline to grow at CAGR of 26% between FY14 and FY16E...**

- NFPI's topline has seen robust CAGR of 32% for the past three years. **Its operating revenues grew by 44% during FY14 on the back of faster order execution.**
- Turnkey projects, sale of products, AMC and sale of cylinders - through its wholly owned subsidiary Eurotech Cylinders Pvt Ltd - contributed 67%, 29%, 2%, and 1% respectively, to the topline.
- Geographically, India contributed 45% to the total revenue followed by UAE at 55%.
- We expect the revenues of the company to grow with a CAGR of 26% between FY14 and FY16E. The growth will be fuelled by:
  - **Revival of Indian economy**, with the stable Government in place, resulting into improvement in industrial activities.
  - **World Expo 2020 in Dubai:** In November 2013, the United Arab Emirates won the right to host the World Expo in Dubai in 2020.
  - In anticipation of Expo 2020 construction is booming in UAE and the once slowed tourism trade has increased dramatically. Airport traffic has seen heavy increase and hotel occupancy rate has crossed over 85%.
  - There is an intense demand for quality residential and commercial properties as government incentives including benefits such as free zones and a 0% tax rate draw companies from around the world to establish operations in Dubai.
  - This boosts the demand for fire and safety products which augers well for the Company.
  - As mentioned earlier UAE alone contributed 55% to the consolidated revenues of the company. The Expo is expected to provide further boost to fire protection projects in UAE. NFPI earns about 80% of the revenues from UAE through EPC projects.
- The Company has the current order book size of about ₹ 8.3 bn. India contributes about ₹ 3.8 bn and rest is from UAE. Again, 65% of the orders comprise of Turnkey projects, 30% is products and rest is AMC.

**Margins expected to remain stable ...**

- EBIDTA Margin of the company has stabilized at 11%, though the company has not been able to maintain its PAT margins. PAT margins declined by 220 bps to 6.5% during FY14. Depreciation has increased by 124% due to the adoption of Accounting Standard 7 (AS-7).
- The company has to import FM200 and NOVEC 1230 gasses from USA based Dupont and 3M, who are the only manufacturers of these gasses. Thus, depreciation of Indian rupee against USD has impacted the margins of the company.
- With improvement in Indian economy and additional demand from UAE, we expect the EBIDTA margins and PAT margins to remain stable at the current levels of 11% and 6.5%. Orders from Middle East enjoy better margins than domestic orders.

**Shareholding Pattern (as on June 30, 2014)**

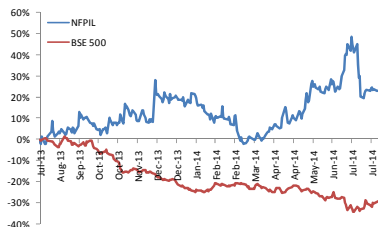


Source: BSE

<b>Financials (₹ mn)</b>				
Particulars	FY13	FY14	FY15E	FY16E
Net Sales	7047.1	10161.2	12529.3	16059.3
Sales Gr.	31.5%	44.2%	23.3%	28.2%
EBIDTA	782.3	1136.7	1375.1	1762.6
PAT	570.1	665.2	810.1	1050.4
PAT Gr.	29.5%	16.7%	21.8%	29.7%
EPS (₹)	2.6	3.0	3.7	4.8
CEPS (₹)	2.8	3.5	4.3	5.5

<b>Key Ratios</b>				
Particulars	FY13	FY14	FY15E	FY16E
Int Cover (x)	2.9	3.4	3.2	3.1
P/E (x)	24.8	21.1	17.3	13.4
P/BV (x)	4.4	3.8	3.1	2.6
P/Cash EPS (x)	22.9	18.2	14.8	11.7
M.Cap/Sales (x)	2.0	1.4	1.1	0.9
EV/EBIDTA (x)	21.8	15.5	13.5	11.4
ROCE (%)	11.0%	13.5%	13.3%	13.6%
ROE (%)	18.0%	17.9%	18.1%	19.2%
EBIDTM (%)	11.1%	11.2%	11.0%	11.0%
NPM (%)	8.1%	6.5%	6.5%	6.5%
Debt-Equity (x)	1.1	1.1	1.1	1.2

**Price Performance NFPI vs BSE 500**



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**VALUATION**

At CMP of ₹ 64, the stock is trading at a P/E of 15.2, and 11.6x for FY15E and FY16E respectively. We have valued NFPI on P/E of 19x on EPS of FY16E. **We recommend BUY rating on the stock with a target price of ₹91/- (42% upside) in 18 months.**

**FY14 Consolidated Result Review**
*(All data in ₹mn unless specified, Y/e March)*

<b>Financial Highlights (Consolidated)</b>								<b>₹ in mn</b>
<b>Particulars</b>	<b>Q4 FY14</b>	<b>Q4 FY13</b>	<b>% Change</b>	<b>Q3FY14</b>	<b>% Change</b>	<b>FY14</b>	<b>FY13</b>	<b>% Change</b>
<b>Total Operating Income</b>	<b>3472.2</b>	<b>1138.0</b>	<b>205.1%</b>	<b>2030.4</b>	<b>71.0%</b>	<b>10161.2</b>	<b>7047.1</b>	<b>44.2%</b>
Raw Material Consumed	1438.4	373.4	285.2%	1589.0	-9.5%	6020.9	4006.9	<b>50.3%</b>
<b>% to sales</b>	<b>41.4%</b>	<b>32.8%</b>	<b>--</b>	<b>78.3%</b>	<b>--</b>	<b>59.3%</b>	<b>56.9%</b>	<b>--</b>
Purchase of Trading Goods	1425.8	593.2	140.4%	28.6	4892.4%	2193.7	1650.9	32.9%
Employee Expenses	71.1	53.7	32.4%	70.0	1.6%	258.0	193.5	33.3%
Other Expenses	260.0	161.8	60.7%	52.8	392.6%	551.9	389.5	41.7%
<b>TOTAL EXPENDITURE</b>	<b>3195.3</b>	<b>1182.1</b>	<b>170.3%</b>	<b>1740.3</b>	<b>83.6%</b>	<b>9024.6</b>	<b>6240.8</b>	<b>44.6%</b>
<b>EBIDTA</b>	<b>276.9</b>	<b>-44.1</b>	<b>-727.3%</b>	<b>290.1</b>	<b>-4.5%</b>	<b>1136.7</b>	<b>806.3</b>	<b>41.0%</b>
<b>EBIDTA Margin</b>	<b>8.0%</b>	<b>-3.9%</b>	<b>--</b>	<b>14.3%</b>	<b>--</b>	<b>11.2%</b>	<b>11.4%</b>	<b>--</b>
Depreciation	28.7	20.1	42.5%	28.7	0.1%	105.9	47.3	123.7%
<b>EBIT</b>	<b>248.2</b>	<b>-64.3</b>	<b>-486.1%</b>	<b>261.4</b>	<b>-5.1%</b>	<b>1030.8</b>	<b>759.0</b>	<b>35.8%</b>
<b>EBIT Margin</b>	<b>7.1%</b>	<b>-5.6%</b>	<b>--</b>	<b>12.9%</b>	<b>--</b>	<b>10.1%</b>	<b>10.8%</b>	<b>--</b>
Interest	79.6	52.3	52.2%	116.8	-31.9%	305.3	254.4	20.0%
Other Income	-53.0	156.6	-133.9%	61.9	-185.7%	18.9	182.2	-89.6%
Exceptional Items	0.0	11.6	-99.9%	-6.6	-100.2%	48.8	24.2	102.2%
Forex Difference	0.0	0.0	--	0.0	--	0.0	0.0	--
Tax	3.6	-12.2	-129.6%	9.3	-61.3%	30.4	49.0	-38.0%
Extraordinary Items	0.0	0.0	--	0	--	0.0	0.0	--
<b>Reported Profit After Tax</b>	<b>112.0</b>	<b>40.6</b>	<b>176.0%</b>	<b>203.7</b>	<b>-45.0%</b>	<b>665.2</b>	<b>613.7</b>	<b>8.4%</b>
<b>PAT Margin</b>	<b>3.2%</b>	<b>3.6%</b>	<b>--</b>	<b>10.0%</b>	<b>--</b>	<b>6.5%</b>	<b>8.7%</b>	<b>--</b>
Share in profit of an associate	53.6	-18.9	-382.9%	-14.57	-467.8%	0.00	-43.60	-100.0%
<b>Adjusted PAT</b>	<b>165.5</b>	<b>21.6</b>	<b>665.7%</b>	<b>189.1</b>	<b>-12.5%</b>	<b>665.2</b>	<b>570.1</b>	<b>16.7%</b>
<b>Adjusted PAT Margin</b>	<b>4.8%</b>	<b>1.9%</b>	<b>--</b>	<b>9.3%</b>	<b>--</b>	<b>6.5%</b>	<b>8.1%</b>	<b>--</b>
EPS (Unit Curr.)	0.8	0.1	650.0%	0.9	-12.8%	3.0	2.6	17.1%

*Source: Company*

Chart 1: Operating Revenues

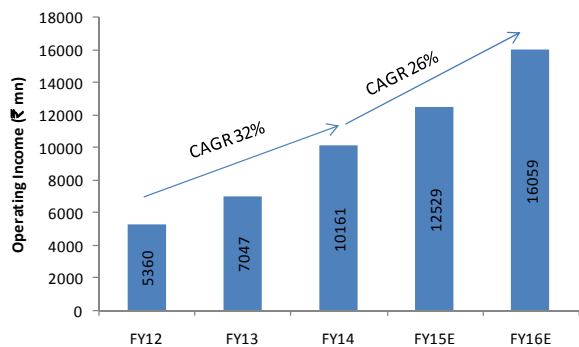


Chart 2: Revenue Contribution

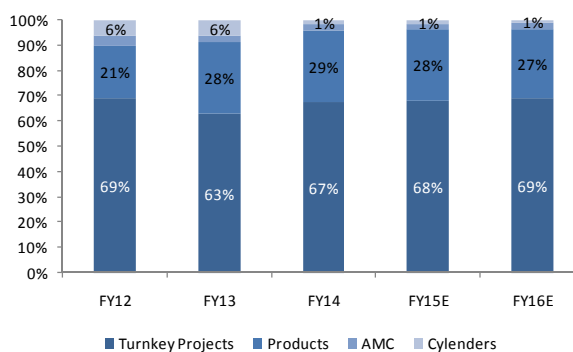


Chart 3: EBITDA & EBITDM

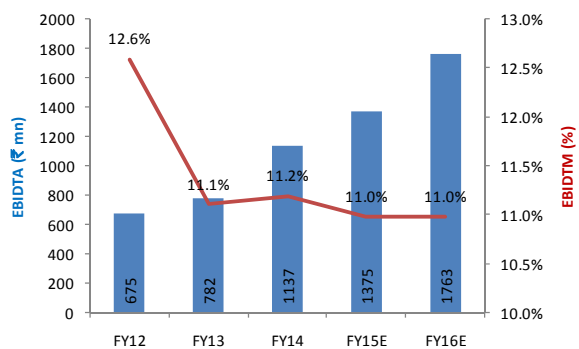


Chart 4: PAT & PATM

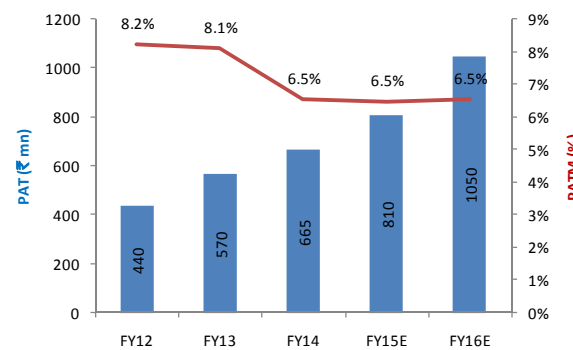


Chart 5: ROCE & ROE

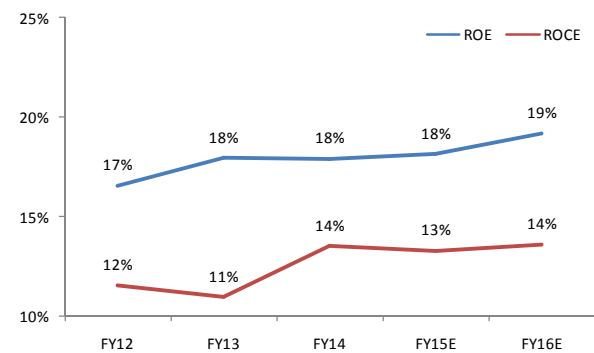


Chart 6: Debt & D/E



Source: Company and SKP Research Desk

**KEY CONCERNS**

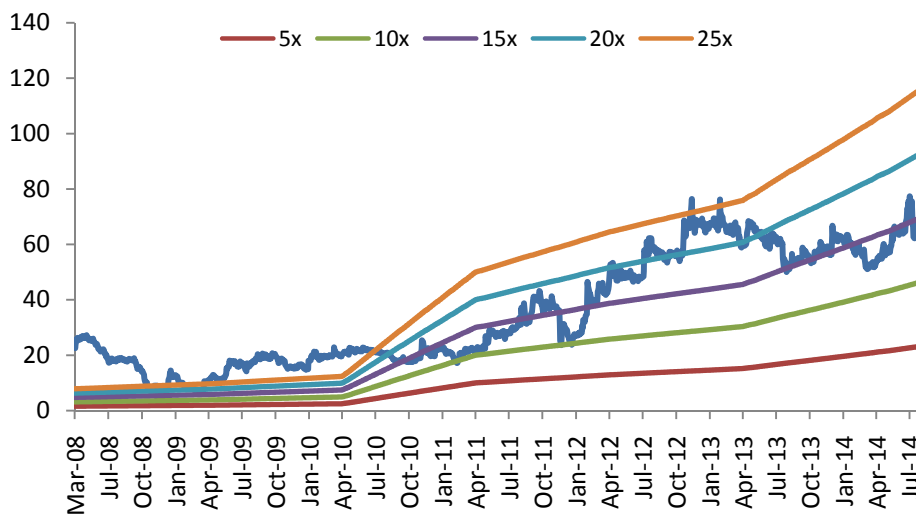
**Exposure to currency fluctuations:** Approximately, 50% of the revenues of the company are derived from Middle East and other Asian countries, exposing it to currency fluctuation risk. Any unfavorable movement in the value of Indian rupee can adversely affect the business of the company.

**Revenues highly dependent on Subsidiaries:** NFPI’s revenue is highly dependent on the performance of its subsidiaries and associate companies. Any adverse development in any of its subsidiary or associate may adversely impact the results of the company.

**VALUATION**

At CMP of ₹ 64, the stock is trading at a P/E of 15.2x, and 11.6x for FY15E and FY16E respectively. We have valued NFPI on P/E of 19x on EPS of FY16E. *We recommend BUY rating on the stock with a target price of ₹91/- (42% upside) in 18 months.*

*One Year forward looking P/E band*



Source: SKP Research Desk

**CONSOLIDATED FINANCIALS**
*(All data are in ₹ mn unless specified, Y/e March)*

Income Statement	FY13	FY14	FY15E	FY16E	Balance Sheet	FY13	FY14	FY15E	FY16E
Net Operating ncome	7047.1	10161.2	12529.3	16059.3	Equity Capital	441.1	438.4	438.4	438.4
Operating Expenditure	6264.9	9024.5	11154.2	14296.8	Reserves	2733.7	3272.7	4031.5	5030.6
EBIDTA	782.3	1136.7	1375.1	1762.6	Net Worth	3174.8	3711.1	4469.9	5469.0
Depreciation	47.3	105.9	137.4	145.2	Loan Funds	3529.4	3923.4	4837.9	6424.0
EBIT	734.9	1030.8	1237.8	1617.3	Deferred Tax Liab.	2.2	-0.1	-0.1	-0.1
Interest	254.4	305.3	387.0	513.9	Other Long Term Liab	0.2	0.2	0.2	0.2
Other Income	182.1	18.9	25.1	32.1	<b>Total Liabilities</b>	<b>6706.5</b>	<b>7634.6</b>	<b>9307.9</b>	<b>11893.0</b>
EBT	662.7	744.5	875.8	1135.5	Net Fixed Assets	1594.5	1762.2	1824.8	1929.6
Tax	49.0	30.4	65.7	85.2	Capital WIP	227.5	231.8	231.8	231.8
Profit /(Loss) of Associate	-43.6	0.0	0.0	0.0	Investments	359.8	14.5	14.5	14.5
Minority Interest	0.0	0.0	0.0	0.0	Net Current Assets	4524.8	5626.1	7236.7	9717.1
PAT	570.1	665.2	810.1	1050.4	Misc. Expenditure	0.0	0.0	0.0	0.0
EPS (₹)	2.6	3.0	3.7	4.8	<b>Total Assets</b>	<b>6706.5</b>	<b>7634.6</b>	<b>9307.9</b>	<b>11893.0</b>

Cash Flow Statement	FY13	FY14	FY15E	FY16E	Ratios	FY13	FY14	FY15E	FY16E
PBT	662.7	695.6	875.8	1135.5	<b>Valuation ratios (x)</b>				
Add: Depreciation, Interest & Other Expenditure	251.7	421.7	524.4	659.1	P/E	24.8	21.1	17.3	13.4
Net change in WC, Tax, Int	-512.2	-1107.0	-1744.5	-2543.7	P/Cash EPS	22.9	18.2	14.8	11.7
<b>Cash Flow from Operating Activities</b>	<b>402.2</b>	<b>10.4</b>	<b>-344.3</b>	<b>-749.1</b>	P/BV	4.4	3.8	3.1	2.6
Capital Expenditure Investments, Sales of FA, Dividend received and others	-344.9	-260.5	-200.0	-250.0	EV/EBIDTA	21.8	15.5	13.5	11.4
<b>Cash flow investing Activities</b>	<b>-255.0</b>	<b>-257.2</b>	<b>-200.0</b>	<b>-250.0</b>	EV/Sales	2.4	1.7	1.5	1.3
<b>Cash flow from Financing Activities</b>	<b>250.2</b>	<b>21.3</b>	<b>518.1</b>	<b>1020.9</b>	<b>Earning Ratios (%)</b>				
<b>Net Increase/Decrease in Cash &amp; Cash equivalents</b>	<b>397.4</b>	<b>-225.6</b>	<b>-26.2</b>	<b>21.8</b>	EBIDTAM	11.1%	11.2%	11.0%	11.0%
Opening Cash Balance	153.8	551.2	325.6	299.4	OPM	10.4%	10.1%	9.9%	10.1%
Cash balance of acquired subsidiaries	0.0	0.0	0.0	0.0	NPM	8.1%	6.5%	6.5%	6.5%
<b>Closing Cash Balance</b>	<b>551.2</b>	<b>325.6</b>	<b>299.4</b>	<b>321.2</b>	ROE	18.0%	17.9%	18.1%	19.2%
					ROCE	11.0%	13.5%	13.3%	13.6%
					<b>B/S Ratios</b>				
					Current ratio (x)	6.3	6.0	6.2	7.1
					D/E (x)	1.1	1.1	1.1	1.2
					Debtor Days	113	101	100	103
					Creditor Days	46	23	20	21
					Inventory Days	102	64	68	69
					FA/Turnover (x)	4.3	5.3	6.2	7.6

*Source: Company and SKP Research*

**The above analysis and data are based on last available prices and not official closing rates. SKP Research is also available on Bloomberg, Thomson First Call & Investext Myiris, Moneycontrol, Tickerplant and ISI Securities.**

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