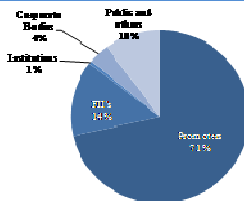


**Key Share Data**

Face Value (₹)	2.0
Equity Capital (₹ mn)	441.1
M.Cap (₹ mn)	12350.9
52-wk High/Low (₹)	64/23
Avg. Daily Vol	263066
BSE Code	532854
NSE Code	NITINFIRE
Reuters Code	NIFP.BO
Bloomberg Code	NFPI IN

**Shareholding Pattern (as on June 30, 2012)**



Source: Capitaline

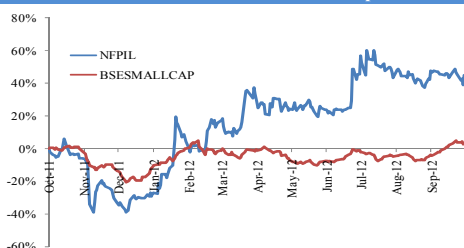
**Financials (₹ mn)**

Particulars	FY11	FY12	FY13E	FY14E
Net Sales	4382.0	5360.5	7236.6	9045.8
Sales Gr.	39.4%	22.3%	35.0%	25.0%
EBIDTA	673.5	674.6	955.2	1248.3
PAT	533.6	440.2	765.6	1008.7
PAT Gr.	25.3%	-17.5%	73.9%	31.7%
EPS (₹)	8.5	2.0	3.5	4.6
CEPS (₹)	9.3	2.1	3.6	4.7

**Key Ratios**

Particulars	FY11	FY12E	FY13E	FY14E
Int Cover (x)	4.7	3.9	6.8	6.9
P/E (x)	6.6	28.1	16.1	12.2
P/BV (x)	1.5	4.6	3.7	2.9
P/Cash EPS (x)	6.0	26.3	15.5	11.9
M.Cap/Sales (x)	0.8	2.3	1.7	1.4
EV/EBIDTA (x)	7.2	22.3	13.8	10.6
ROCE (%)	16.5%	11.6%	21.4%	22.0%
ROE (%)	23.2%	16.6%	23.1%	23.9%
EBIDTM (%)	15.4%	12.6%	13.2%	13.8%
NPM (%)	12.2%	8.2%	10.6%	11.2%
Debt-Equity (x)	0.6	1.1	0.3	0.3

**Price Performance NFPI vs BSE Small Cap**



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**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 and Vishakhapatnam. Majority of its revenues are generated through its subsidiaries.

**FUTURE OUTLOOK**

**Topline to grow at CAGR of 30% between FY12 and FY14E...**

- NFPI's topline has seen robust CAGR of 30% for the past three years. **Revenues posted by the company for FY12 was ₹ 5.4 bn, which we expect to touch ₹ 9.0 bn by the end of FY14 with the CAGR of 30% due to expected strong order flow.**
- The growth will be fuelled by:
  - Improved end user awareness about life safety, security and asset management.
  - Tightening government norms** for granting licenses and implementation of Fire Act strongly. *For instance, State Government of Maharashtra has issued a circular for utmost priority to be given to Fire Safety Audit, under Maharashtra Fire Prevention and Life Safety Measures Rules, 2009, after fire in Mantralaya, Mumbai, in June 2012, in all commercial buildings.*
  - Increasing investments in data centers, BPOs, Malls and infrastructure sectors such as power, petrochemicals, telecom and IT.

**Margins expected to improve ...**

- EBIDTA Margin of the company has decreased to 12.6% during FY12 from 15.4% in FY11 due to increasing raw material cost. PAT margins gone down to 8.2% due to high interest cost.
- We expect the EBIDTA margins to improve by around 120 bps by FY14E due to better realizations and rationalization of raw material cost.**
- We further expect PAT margins of the company to improve by 240 bps to 10.6% in FY13 on account lower interest out go due to repayment of short term debt.
- With this repayment we expect the short term debts of the company to come down to around ₹ 1 bn in FY13 from ₹ 2.9 bn in FY12.
- Thus, we also expect D/E ratio of the company to improve to about 0.3x in FY13E from the 1.1x in FY12.**

**VALUATION**

- At CMP the stock is trading at a P/E of 14.0, and 11.2x for FY13E and FY14E respectively. We have valued NFPI using DCF model of valuation.
- We recommend BUY rating on the stock with a target price of ₹ 91/- (62% upside) in 18 months.**

**Q1 FY12 Standalone Result Review**
*(All data in ₹mn unless specified, Y/e March)*

Particulars	Q1 FY13	Q1 FY12	% Change	Q4FY12	% Change
<b>Net Sales</b>	<b>1001.3</b>	<b>293.3</b>	<b>241.4%</b>	<b>329.5</b>	203.9%
Raw Material Consumed	823.5	170.6	382.8%	143.6	473.4%
<i>% to Sales</i>	<i>82.2%</i>	<i>58.2%</i>	--	<i>43.6%</i>	--
Purchase of Traded Goods	41.4	39.7	4.3%	23.7	74.6%
Employee Expenses	15.4	13.2	16.8%	24.3	-36.7%
Other Expenses	20.4	18.1	12.6%	67.8	-69.9%
<b>TOTAL EXPENDITURE</b>	<b>900.7</b>	<b>241.5</b>	<b>272.9%</b>	<b>259.4</b>	<b>247.2%</b>
<b>EBIDTA</b>	<b>100.6</b>	<b>51.7</b>	<b>94.4%</b>	<b>70.1</b>	<b>43.6%</b>
<i>EBIDTA Margin</i>	<i>10.0%</i>	<i>17.6%</i>	--	<i>21.3%</i>	--
Depreciation	2.5	0.8	197.6%	7.6	-67.5%
<b>EBIT</b>	<b>98.1</b>	<b>50.9</b>	<b>92.8%</b>	<b>62.5</b>	<b>57.0%</b>
<i>EBIT Margin</i>	<i>9.8%</i>	<i>17.4%</i>	--	<i>19.0%</i>	--
Interest	42.6	13.8	208.3%	55.3	-22.9%
Other Income	45.4	2.8	1544.2%	14.3	217.1%
Tax	20.1	6.5	210.9%	4.1	384.3%
<b>Reported Profit After Tax</b>	<b>80.8</b>	<b>33.4</b>	<b>142.0%</b>	<b>17.4</b>	<b>365.0%</b>
<i>PAT Margin</i>	<i>8.1%</i>	<i>11.4%</i>	--	<i>5.3%</i>	--
Diluted EPS (Unit Curr.)	0.4	0.2	146.7%	0.1	362.5%

Chart 1: Revenues

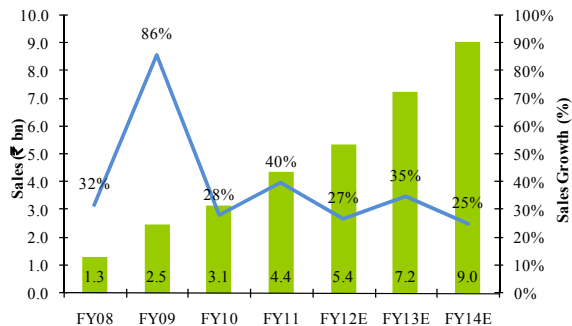


Chart 4: PAT & PATM

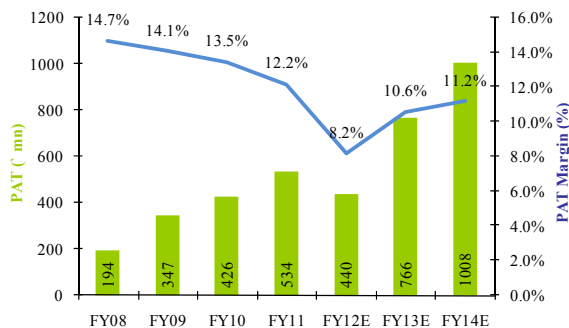


Chart 2: EBIDTA & EBIDTM

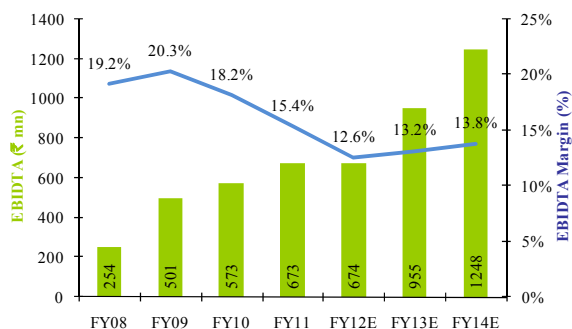
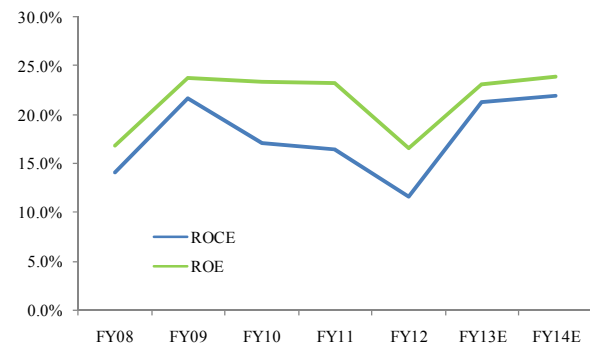


Chart 5: D/E



Chart 3: ROCE & ROE



Source: Company and SKP Research Desk

### **KEY CONCERNS**

**Exposure to currency fluctuations:** Approximately 75-80% of the revenues of the company is derived from exports, 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:** NFPIIL'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.

### **VALUATIONS**

At CMP the stock is trading at a P/E of 14.0, and 11.2x for FY13E and FY14E respectively. We have valued NFPIIL using DCF model of valuation. *We recommend BUY rating on the stock with a target price of ₹91/- (62% upside) in 18 months.*

<b>Particulars</b>	
Terminal Growth Rate	1.0%
Terminal Value (₹ mn)	4429.3
PV of FCFF	18301.7
EV (₹ mn)	22730.9
Debt (₹ mn)	2925.7
Cash (₹ mn)	209.1
Value for Equity(₹ mn)	20014.3
Fair Value (₹)	90.8

*Source: SKP Research Desk*

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

Income Statement	FY11	FY12E	FY13E	FY14E	Balance Sheet	FY11	FY12E	FY13E	FY14E
Net Operating ncome	4382.0	5360.5	7236.6	9045.8	Equity Capital	126.0	441.1	441.1	441.1
Operating Expenditure	3708.6	4685.8	6281.4	7797.5	Reserves	2175.6	2216.1	2878.5	3783.9
EBIDTA	673.5	674.6	955.2	1248.3	Net Worth	2301.6	2657.2	3319.6	4225.0
Depreciation	53.4	29.7	30.7	29.9	Long-Term Loan	1452.0	2925.7	1005.7	1305.7
EBIT	620.1	645.0	924.6	1218.4	Minority Interest	19.8	0.0	0.0	0.0
Interest	131.8	167.0	135.8	176.3	Deferred Tax Liab.	3.6	4.0	4.0	4.0
Other Income	140.6	30.2	43.4	54.3	<b>Total Liabilities</b>	<b>3776.9</b>	<b>5586.8</b>	<b>4329.3</b>	<b>5534.7</b>
EBT	628.8	508.2	832.2	1096.4	Net Fixed Assets	1216.5	1255.8	1247.7	1217.7
Tax	48.7	37.7	66.6	87.7	Capital WIP	0.0	22.6	0.0	0.0
Minority Interest	-12.3	0.0	0.0	0.0	Investments	607.3	662.9	662.9	662.9
Profit /(Loss) of Associate	-34.2	-30.3	0.0	0.0	Net Current Assets	1953.3	3645.9	2418.8	3654.2
PAT	533.6	440.2	765.6	1008.7	Misc. Expenditure	0.0	0.0	0.0	0.0
EPS (₹)	8.5	2.0	3.5	4.6	<b>Total Assets</b>	<b>3777.1</b>	<b>5587.1</b>	<b>4329.3</b>	<b>5534.7</b>

Cash Flow Statement	FY11	FY12E	FY13E	FY14E	Ratios	FY11	FY12E	FY13E	FY14E
PBT	628.8	508.2	832.2	1096.4	<b>Valuation ratios (x)</b>				
Add: Depreciation, Interest & Other Expenditure	105.9	215.0	166.5	206.2	P/E	6.6	28.1	16.1	12.2
Net change in WC, Tax, Int	-867.0	-1671.0	1139.5	-1113.1	P/Cash EPS	6.0	26.3	15.5	11.9
<b>Cash Flow from Operating Activities</b>	<b>-132.3</b>	<b>-947.9</b>	<b>2138.2</b>	<b>189.5</b>	P/BV	1.5	4.6	3.7	2.9
Capital Expenditure	-553.8	-161.2	0.0	0.0	EV/EBIDTA	7.2	22.3	13.8	10.6
Investments, Sales of FA, Dividend received and others	566.2	-102.5	0.0	0.0	EV/Sales	1.1	2.8	1.8	1.5
<b>Cash flow investing Activities</b>	<b>12.5</b>	<b>-263.7</b>	<b>0.0</b>	<b>0.0</b>	<b>Earning Ratios (%)</b>				
<b>Cash flow from Financing Activities</b>	<b>-17.0</b>	<b>1266.9</b>	<b>-2159.0</b>	<b>20.5</b>	EBIDTAM	15.4%	12.6%	13.2%	13.8%
<b>Net Increase/Decrease in Cash &amp; Cash equivalents</b>	<b>-136.8</b>	<b>55.4</b>	<b>-20.8</b>	<b>210.0</b>	OPM	14.2%	12.0%	12.8%	13.5%
Opening Cash Balance	184.5	105.5	160.9	188.1	NPM	12.2%	8.2%	10.6%	11.2%
Cash balance of acquired subsidiaries	57.9	0.0	48.0	0.0	ROE	23.2%	16.6%	23.1%	23.9%
<b>Closing Cash Balance</b>	<b>105.5</b>	<b>160.9</b>	<b>188.1</b>	<b>398.1</b>	ROCE	16.5%	11.6%	21.4%	22.0%
					<b>B/S Ratios</b>				
					Current ratio (x)	1.8	3.9	1.8	2.1
					D/E (x)	0.6	1.1	0.3	0.3
					Debtor Days	147.0	141.3	102.6	106.1
					Creditor Days	180.1	109.5	116.3	139.4
					Inventory Days	81.1	110.7	113.3	99.5
					FA/Turnover (x)	4.0	4.3	5.7	7.3

*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, Ticker plant and ISI Securities**

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\*Group Entities

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