

Price: 362

Recommendation: Buy

Industry: Other Textile Products

Sector: Consumer Discretionary

Report Date: 03-Apr-2025

Nitin Spinners Limited is advancing its market position through strategic initiatives, including a capital expenditure plan of INR 1,100 crores to expand spinning and weaving capacities. This involves adding 66,000 spindles and 250 looms, boosting production by 22,000 metric tons annually. The company integrates renewable energy with 11-megawatt solar power, aligning with sustainability goals. Focused on value addition and cost efficiencies, Nitin Spinners aims to meet growing demand and sustain growth.

Sales		Profit & Loss		Profitability Matrix	
Current Year	3265 Cr	Operating Profit(Year)	467 Cr	Operating Profit Margin	14.3 %
Previous Year	2404 Cr	Operating Profit(Quarter)	117 Cr	EBITDA Margin	11.61 %
Current Quarter	839 Cr	PAT (Year)	131 Cr	Net Profit Margin	4.53 %
Previous Quarter	823 Cr	PAT (Quarter)	44.8 Cr	EPS	29.9
Revenue (QYoY)	750 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	12.0	Sales Growth	18.3 %	Sales Growth	1.94 %
PEG Ratio	0.78	PAT Growth	-20.12 %	Sales Growth QYoY	11.87 %
EV/EBITDA	6.78	EPS Growth	27.78 %	PAT Growth	6.16 %
P/B	1.67	Dividend Yield	0.69	PAT Growth QYoY	40.88 %
Capital Allocation		Holdings		Leverage	
RoE	12.1 %	Promoter	56.5 %	Debt/Equity	0.97
RoA	5.33 %	FII	1.50 %	Debt	1180 Cr
RoCE	11.6 %	DII	15.5 %	Market Cap	2026 Cr
RoIC	7.48 %	Public	26.5 %	Enterprise value	3192 Cr
		No of Shares	5.62 Cr	Cash Equivalents	13.4 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent earnings call, Nitin Spinners Limited outlined several strategic initiatives aimed at bolstering its market position and enhancing operational efficiency. The company announced a significant capital expenditure plan of approximately INR 1,100 crores, focusing on expanding its spinning and weaving capacities. This includes the addition of 66,000 spindles and 250 air jet/rapier looms, which will increase production capacity by about 22,000 metric tons per annum and enhance dyeing and finishing capabilities by 35 million meters per annum. A noteworthy aspect of this expansion is the integration of renewable energy, with plans to add 11-megawatt AC solar power capacities, aligning with sustainability goals. This expansion is expected to be funded by INR 800 crores of debt and internal accruals, with completion targeted within the next 24 months.

The company's business strategy is centered on value addition and cost efficiencies, aiming to strengthen its market position and broaden its product portfolio. By increasing its renewable power capacity, Nitin Spinners aims to achieve cost efficiencies and meet the growing demand for quality fashion fabrics from both domestic and international brands. The company is optimistic about the textile industry's growth prospects, driven by stable cotton prices, favorable forex rates, and government initiatives to boost textile manufacturing and exports. The management expressed confidence in sustaining growth and meeting the increasing demand for high-value-added and niche products.

Looking ahead, Nitin Spinners is poised for growth, with expectations of improved margins driven by cost optimization and better product mixes. The company anticipates a margin improvement of 150 to 200 basis points as the fabric segment's contribution to sales increases from 25% to over 33%. The management highlighted the potential for margin expansion due to cost reduction measures and the introduction of value-added categories. The company's focus on operational efficiencies and strategic investments positions it well for sustained growth, despite the current challenges in the spinning industry.

On the positive side, the company's strategic investments and focus on sustainability are commendable, positioning it well for future growth. However, an even better scenario would involve more aggressive diversification into garment manufacturing, which the company is currently hesitant to pursue without significant government incentives. Additionally, while the company is optimistic about margin improvements, the actual realization of these improvements will depend on market conditions and the successful execution of its expansion plans. The company's ability to navigate geopolitical tensions and trade disruptions will also be crucial in maintaining its growth trajectory.

NITINSPIN Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Pashupati Cotsp.	992.98	61.45	7.22%	0.00%	50.34%	0.00%	3572.73%
Arvind Ltd	9054.59	30.04	9.73%	-4.53%	10.64%	73.17%	12.92%
Indo Count Inds.	5655.51	17.31	17.52%	11.17%	61.41%	-7.44%	29.99%
Sanathan Textile	3224.67	24.56	10.87%	0.13%	-4.78%	4.94%	-0.23%
Nitin Spinners	2025.60	12.04	12.09%	1.99%	11.79%	6.21%	41.04%

Aspect	Commentary
Revenue	The company shows a strong revenue growth with a current year figure of 3265 Cr, up from 2404 Cr the previous year. This indicates a robust increase in sales, reflecting effective market strategies and possibly an expanding customer base. The quarterly revenue also shows a slight increase, suggesting consistent performance.
Profit & Loss	Operating profit for the year stands at 467 Cr, with a quarterly figure of 117 Cr. The PAT for the year is 131 Cr, indicating a profitable year despite challenges. The quarterly PAT of 44.8 Cr suggests a stable profit margin, reflecting efficient cost management and operational effectiveness.
Profitability Matrix	The operating profit margin is 14.3%, with an EBITDA margin of 11.61% and a net profit margin of 4.53%. These figures suggest a healthy profitability level, indicating the company's ability to convert sales into actual profit effectively. The EPS of 29.9 further supports this profitability.
Valuation Matrix	The trailing P/E ratio is 12.0, indicating a reasonable valuation compared to industry standards. A PEG ratio of 0.78 suggests potential undervaluation, while an EV/EBITDA of 6.78 and P/B of 1.67 reflect a balanced valuation approach, making it attractive for investors.
Growth (YoY)	Sales growth is at 18.3%, showing strong year-over-year performance. However, PAT growth is negative at -20.12%, indicating challenges in net profitability. EPS growth of 27.78% suggests improved earnings per share, while a dividend yield of 0.69 indicates shareholder returns.
Growth (QoQ)	Quarterly sales growth is 1.94%, with a QYoY growth of 11.87%, reflecting steady sales performance. PAT growth of 6.16% and QYoY growth of 40.88% indicate significant improvement in quarterly profitability, suggesting effective cost control and revenue management.
Capital Allocation	The company shows a RoE of 12.1%, RoA of 5.33%, RoCE of 11.6%, and RoIC of 7.48%. These figures indicate efficient capital allocation, reflecting the company's ability to generate returns on investments and equity, supporting sustainable growth and financial health.
Holdings	Promoter holding is at 56.5%, indicating strong insider confidence. FII and DII holdings are 1.50% and 15.5% respectively, with public holding at 26.5%. This distribution suggests a balanced ownership structure, potentially reducing volatility and aligning interests with shareholders.
Leverage	The debt/equity ratio is 0.97, indicating a moderate level of leverage. With a debt of 1180 Cr and market cap of 2026 Cr, the company maintains a balanced financial structure. Cash equivalents of 13.4 Cr provide liquidity, supporting operational needs and potential investment opportunities.

Analyst viewpoint: Nitin Spinners Limited is positioned favorably for short to mid-term growth, characterized by its commendable quarterly performance with a sales growth of 1.94% and an impressive quarterly profit after tax growth of 6.16%. Its strategic capital expenditure of INR 1,100 crores is directed towards expanding spinning and weaving capacities, further complemented by 66,000 new spindles and 250 additional looms, all of which are set to enhance production capacities significantly. The integration of 11-megawatt solar power aligns with the company's sustainability focus, marking a progressive step towards energy cost optimization. Nitin Spinners' valuation metrics are attractive with a P/E ratio of 12.04 and a PEG ratio of 0.78, suggesting potential undervaluation, making it an alluring prospect for investors. The company's operational efficiencies and value-added strategies are poised to promote robust growth, backed by the anticipation of enhancing the fabric segment's contribution to sales, thereby improving margins.

However, Nitin Spinners faces a potential challenge in diversifying aggressively into garment manufacturing, a step that might stabilize income streams further if more incentives were provided. Additionally, although current margins are improving, the overall realization is subject to market conditions and the effective execution of its expansion plans. Despite these concerns, the company's solid financial structure and strategic clarity offer an encouraging outlook for investors seeking growth in the textile sector.

Please read detailed disclosure on next page.

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BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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