

Nitin Fire (NITFIR)

Rs 332

WHAT'S CHANGED...

PRICE TARGET	Changed from Rs 406 to Rs 376
EPS (FY11E)	Unchanged
EPS (FY12E)	Unchanged
RATING.....	Unchanged

International sales boost topline...

Nitin Fire Protection Industries reported its Q1FY11 results that were in line with our expectations. The topline surged by 67.3% YoY and stood at Rs 89.7 crore against our expectation of Rs 90.9 crore. The margin suffered a setback by 787 bps YoY and was reported to be 14.3%. This was mainly due to an increase in raw material prices for the company. With interest costs rising by 143% YoY the bottomline fell and stood at Rs 7.1 crore during the quarter against Rs 7.9 crore in the corresponding period last year.

Operational highlights

The company has reported a robust increase in sales from its international operations. Its sales from its international business grew by 130% and stood at Rs 57.9 crore against Rs 25.2 crore in Q1FY10. The contribution to topline from this segment increased from 47% to 65% during the quarter.

Valuation

At the current market price of Rs 332, the stock is trading at 8.1x and 7.1x its FY11 and FY12 estimated EPS of Rs 40.9 and Rs 47, respectively. With crude prices recovering, sales of CNG cylinders are expected to improve. Also, with higher demand growth seen in international markets, we believe the sales and margins would remain sustainable, going ahead. The only concern would be efficient management of rising raw material prices, which may have to be passed on to consumers. We are maintaining our **BUY** rating on the stock after valuing it at 8x its FY12E EPS of Rs 47.

Exhibit 1: Financial Performance

(Rs Crore)	Q1FY11	Q1FY11E	Q1FY10	Q4FY10	YoY(%)	QoQ(%)
Net Sales	89.7	90.9	53.6	105.4	67.3	-14.9
EBITDA margin (%)	14.3	20.2	22.1	21.1	-787bps	-687bps
Depreciation	1.3	1.8	0.8	1.7	58.9	-23.2
Interest	3.2	2.1	1.3	3.5	143.8	-6.5
Other Income	0.1	1.6	0.3	1.2	-78.9	-94.2
Reported PAT	7.1	12.9	7.9	13.9	-10.1	-48.9
EPS (Rs)	7.6	10.2	6.9	12.3	11.1	-37.8

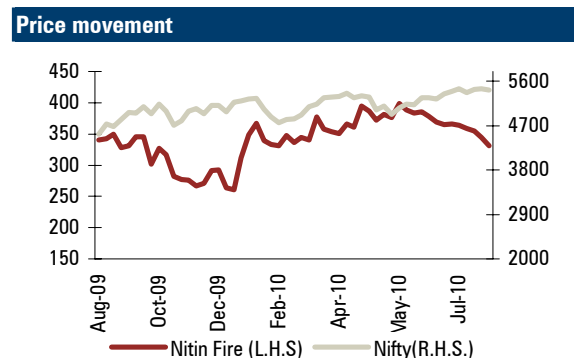
Source: Company, ICICIdirect.com Research

Rating matrix	
Rating	: Buy
Target	: Rs 376
Target Period	: 12 months
Potential Upside	: 13%

Key Financials				
	FY09	FY10	FY11E	FY12E
Net Sales	243.8	315.5	363.6	418.7
EBITDA	50.1	60.6	73.5	85.6
Net Profit	30.6	44.0	51.5	59.2
EPS (Rs)	27.3	34.9	40.9	47.0

Valuation summary				
	FY09	FY10	FY11E	FY12E
P/E	12.1	9.5	8.1	7.1
Target P/E	12.4	9.7	8.3	8.0
EV / EBITDA	8.8	7.0	6.6	5.4
P/BV	2.9	2.2	1.8	1.4
RoNW(%)	21.3	23.7	21.9	20.2
RoCE (%)	20.8	20.8	20.1	20.3

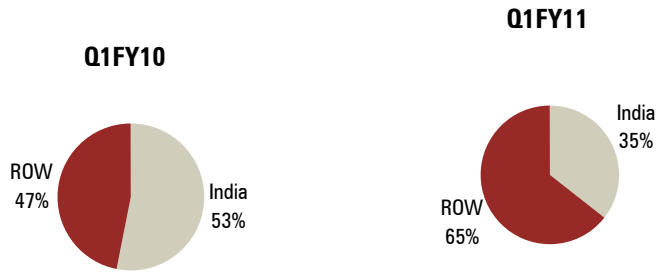
Stock data	
Market Capitalization	Rs. 418 crore
Total Debt (FY09)	Rs. 69 crore
Cash (FY09)	Rs. 3.7 crore
EV	Rs.483.3 crore
52 week H/L	422 / 259
Equity capital	Rs.12.6 crore
Face value	Rs.10
MF Holding (%)	12.06
FII Holding (%)	6.2



Analyst's name	
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Exhibit 2: Sales by segment

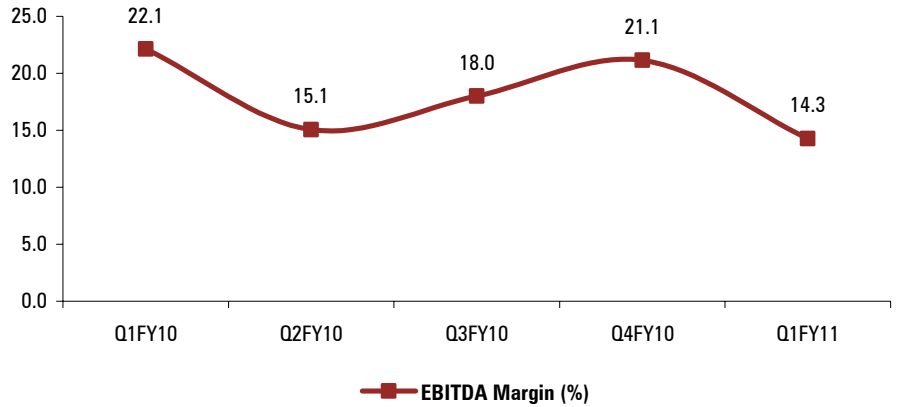
Increasing contribution of international sales is driving both volumes and topline for the company



Source: Company, ICICIdirect.com Research

Exhibit 3: EBITDA margin (%)

Rising raw material prices could further pressurise margins, going ahead



Source: Company, ICICIdirect.com Research

CNG network to drive sales

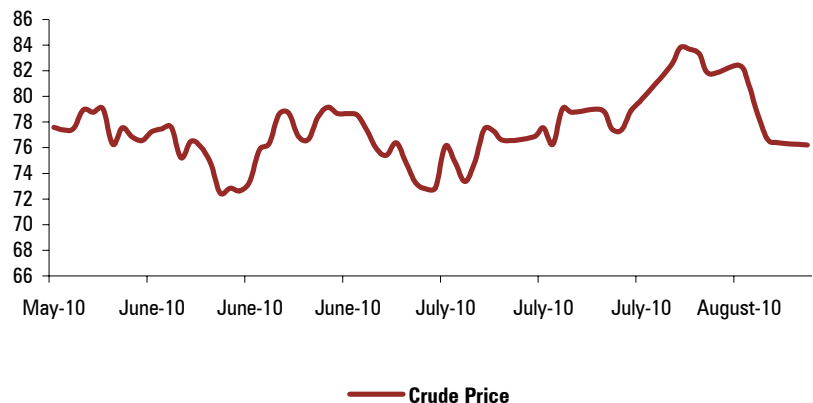
The government proposes to expand the CNG network in India to 200 cities from the current 35 and has stated the same in its release 'Vision-2015 document for consumer satisfaction and Beyond'. Hence, this would rapidly increase the demand for CNG cylinders in the domestic markets and drive the company's sales. Also, the rising fuel prices in the economy are increasing the demand for low cost CNG cylinder based automobiles, thus driving demand for the company's offerings.

Rising crude prices

With crude prices hovering around \$70-80 and petrol and diesel prices witnessing an upsurge, the demand for CNG based equipment and vehicles is increasing at a fast pace. Automobile companies are driving research and launching cars that are CNG driven, thus providing two fold benefits of lower operational costs for consumers and being environmental friendly. Moreover, the recent consideration of the railways to consider transforming diesel run engines to CNG based engines to manage costs could also lead to a flow in orders for the company and push sales from this segment. However, rising crude prices could be a concern for the company on managing its operational costs, going ahead.

Exhibit 4: Crude prices (\$/barrel)

Rising crude prices will increase demand for CNG based products



Source: Bloomberg

Valuation

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Exhibit 5: Valuation Matrix

	Sales (Rs cr)	Growth (%)	EPS (Rs)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY10	315.5	29.4	34.9	27.8	9.5	7.0	23.7	20.8
FY11E	363.6	15.2	40.9	17.1	8.1	6.6	21.9	20.1
FY12E	418.7	15.2	47.0	15.0	7.1	5.4	20.2	20.3

Source: Company, ICICIdirect.com Research

ICICIdirect.com Coverage Universe

Praj Industries			Sales (Rs crore)	EPS (Rs)	PE (x)	EV/E (x)	RoNW (%)	RoCE (%)
Idirect Code	PRAIN CMP	80.0 FY10	602.3	6.2	13.0	11.7	24.1	25.3
	Target	72 FY11E	644.0	6.4	12.5	9.8	22.0	27.2
MCap	1434.6 Upside	-10.0% FY12E	671.7	7.2	11.1	8.2	21.8	27.7
Everest Kanto Cyliders			Sales (Rs crore)	EPS (Rs)	PE (x)	EV/E (x)	RoNW (%)	RoCE (%)
Idirect Code	EVEKAN CMP	117.7 FY10	649.7	1.3	92.7	28.9	2.0	4.9
	Target	145 FY11E	685.1	5.1	23.0	10.7	7.6	12.1
MCap	1198.87 Upside	23.2% FY12E	804.7	10.1	11.7	7.0	12.9	17.7
Nitco Tiles			Sales (Rs crore)	EPS (Rs)	PE (x)	EV/E (x)	RoNW (%)	RoCE (%)
Idirect Code	NITTIL CMP	58 FY10	403.0	-2.7	-21.5	11.2	-1.6	-3.5
	Target	40 FY11E	495.8	2.2	26.8	8.0	1.3	-0.5
MCap	183.9 Upside	-31% FY12E	551.2	9.4	6.2	4.3	5.5	4.2
Nitin Fire Protection			Sales (Rs crore)	EPS (Rs)	PE (x)	EV/E (x)	RoNW (%)	RoCE (%)
Idirect Code	NITFIR CMP	332 FY10	315.5	34.9	9.5	7.0	23.7	20.8
	Target	376 FY11E	363.6	40.9	8.1	6.6	21.9	20.1
MCap	418.0 Upside	13.3% FY12E	418.7	47.0	7.1	5.4	20.2	20.3

Source: Company, ICICIdirect.com Research

RATING RATIONALE

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Strong Buy: 20% or more;
Buy: Between 10% and 20%;
Add: Up to 10%;
Reduce: Up to -10%
Sell: -10% or more;

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