



RESEARCH :: COMPANY:: NAHAR SPINNING MILLS LTD.

29th June ' 2010

Long Term Buy

CMP	91.50
Target price	Rs 132
Potential Upside	+ 44%
Estimated EPS	Rs 20.87
Investment period	6-12 months

Nahar Spinning Mills Limited is a Ludhiana based company operating in the textile industry. The company was incorporated in the year 1980. The company basically operates in two segments: yarn and garment segment.

Key Highlights

- ✚ The company is the best company among its peers as it is available at attractive P/E of 5.92.
- ✚ The company exports its T-shirts to international brands such as GAP, Arrow, Van Heusen.

Stock Info (TTM Basis)

Sector	Textiles
Market cap (Rs Cr)	322.56
Face value	5.00
Book value	153.80
EPS	14.83
Cash EPS	34.20
Dividend	30%
Sales Growth	11%
Debt to equity	1.54
52 week H/L	97.85/32.05
Avg. Daily Vol (2wk)	0.34 lac
Managing Director	J LalOswal
Listed At	BSE/NSE
Equity capital	18.03
Promoters Holding	62.91%

Future Outlook

At Current market price of Rs 92 , the stock is available at P/E of 6.20 of its FY10 earnings, and P/E of 4.41x of its FY11. Fairwealth Research Desk recommend BUY with target price of Rs 115 , given that company's future shows potential.

Particulars (Rs Cr)	2008-09	2009-10	2010-11E
Net Sales	1000.38	1110.47	1165.99
Expenditure	918.7	930.12	979.43
PBIDT	88.4	190.7	186.56
Interest	37.37	40.24	41.44
Depreciation	76.11	69.86	69.86
Net Profit	-16.63	53.49	75.26
Equity Share capital	18.03	18.03	18.03
EPS	0	14.83	20.87
Cash EPS	-	34.2	40.24
Operating Profit Margins	8.84	17.17	16.00
Net Profit margins	0	4.82	6.45
P/E Ratio	0	6.20	4.41

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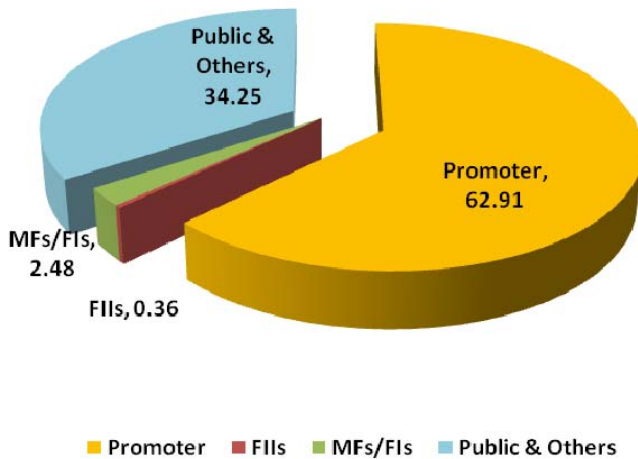
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Source: Fairwealth Research Estimates

E* stands for Estimated

Shareholding Pattern As on 31ST March'2010



Source: Company Report, Fairwealth Research

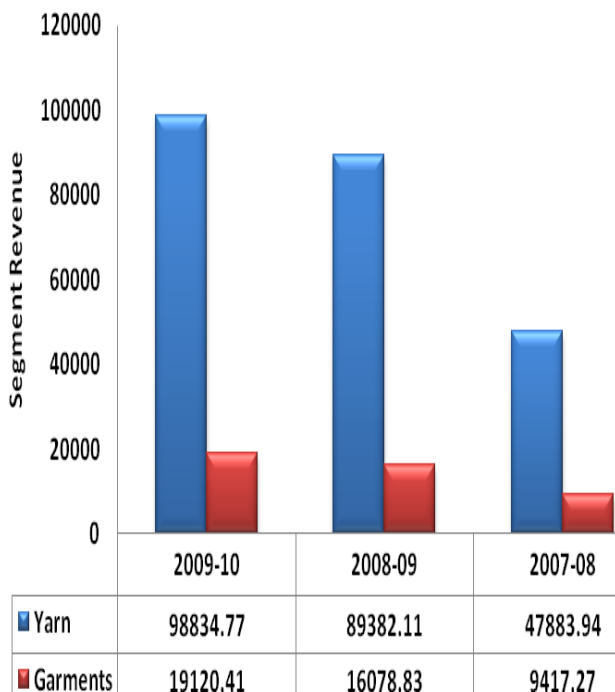
COMPANY PROFILE

Nahar Spinning Mills Limited started its operation as a tiny worsted spinning and hosiery unit in Ludhiana in the year 1980. The company became Public Limited in the year 1983. It started with the manufacturing and export of woolen/ cotton hosiery, knitwears and woolen textiles.

In the year 1992, as a measure of backward integration the company diversified into the spinning industry. Today it has installed spindleage of 33500 spindles.

The company also established an ultra modern facility to manufacture 12.5 Million pieces of Hosiery Garments. Nahar Spinning's T-shirts are being exported to reputed international brands such as GAP, Arrow, Old Navy, Pierre Cardin, Philips Van Heusen, Izod, Quicksilver, Price Costco.

Segmental Revenue



Source: Company Results, Fairwealth Research

Segments of the Nahar Spinning Mills Ltd.:

Yarn: The company's main revenue comes from this segment. The segment contributes 89% to the total revenue of the company.

In FY10, the revenue from Yarn grew 10.57% to 98834.77 Lacs in comparison to 89382.11 Lacs in FY09. The profit from this segment stood at 9588.18 lacs. The company offers 100% cotton yarns, 100% cotton dyed yarns, 100% polyster yarn, industrial yarn, blended yarns, Eli twist yarns.

Garments: Garments contribute a total of 11% to the total revenue.

In FY10, the revenue from this segment totaled to Rs. 19120.41 lac as compared to Rs. Rs. 16078.83. The total profit from the segment stood at Rs. 2243.88 lacs. The company has a brand of Cotton Country.

Nahar Spinning Mills Limited presently has three plants operating:

Manufacturing Unit	Current Spindlage	Location
Nahar Spinning Mills Ltd., (100% EOU)	25000	Bhopal, MP
Nahar Spinning Mills Ltd., (Non- EOU)	42000	Bhopal, MP
Nahar Spinning Mills Ltd., (100% EOU)	22000	Lalru, Near Chandigarh

Nahar Spinning Mills Limited has state of art machinery which has been supplied by the world renowned manufactures like Rieters of Switzerland, Suessen & Schlafhorst of Germany & Savio of Italy. The blow rooms are fitted with vision shield from Rieter and Jossi. The company also has the facilities for precisions winding and have installed SSM precision winders. **It has the largest installation of TFO and have been awarded Golden Spindle by Volkman.**

The Cotton Yarn dyeing section has the dyeing machinery of Theise, Germany and Hank Dyeing section has the machinery from Bellini of Italy.

The latest venture of Nahar is a **100% EOU**, a totally imported project from Rieter Switzerland for manufacturing of fine counts up to NE 100s, which is fitted with SSM precision winders and Volkman TFOs. The company has installed **COM-4** Ring Frames of Rieter and Sussen Ring frameshas for production of Compact Yarns in fine counts.

PEER ANALYSIS

Particulars(Cr)	Nahar Spinning Mills Ltd.	KSL & Ind	Krishna Lifestyle	T T Ltd.	Pioneer Embroi
Market Cap	322.56	364.95	108.37	43.97	27.50
Sales	1110.47	1045.70	556.23	353.60	142.45
PBIDT	188.43	157.38	51.58	34.67	11.04
Net Profit	53.50	4.00	-0.47	10.47	-4.43
EPS	14.83	0.40	0.00	4.87	0.00
P/E	5.92	90.50	0.00	4.64	0.00
EV/PBIDT	5.06	8.51	3.11	7.14	31.55
P/BV	0.58	0.69	0.20	1.12	1.08
Equity	18.03	40.27	102.24	21.50	12.53

TTM Basis

- ✚ Nahar Spining Mills Limited is the best company in comparison to its peers.
- ✚ The Company has highest sales i.e Rs. 1110.47 crore on TTM Basis.
- ✚ EPS of the company is 14.83 i.e highest among its peers.
- ✚ P/E of Nahar Spinning Mills is 5.92 which is good, the textile industry P/E is 9.85.

QUARTERLY ANALYSIS

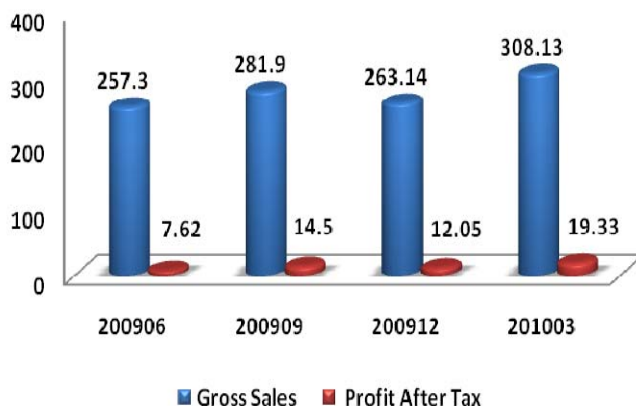
Particulars (In crores)	201003	200903	VAR %	200912	VAR %
Net Sales	308.13	233.98	31.7	263.14	17.10
Other Operating Income	3.18	1.04	205.8	3.08	3.25
Other Income	0.21	0.83	-74.7	0.6	-65.00
Total Income	311.52	235.85	32.1	266.82	16.75
Total Expenditure	251.05	216.07	16.2	220.78	13.71
PBIDT	60.47	19.78	205.7	46.04	31.34
Interest	12.43	6.68	86.1	8.97	38.57
PBDT	48.04	13.1	266.7	37.07	29.59
Depreciation	17.1	18.82	-9.1	17.27	-0.98
Tax	11.61	0.07	16486	7.75	49.81
Profit After Tax	19.33	-5.79	433.9	12.05	60.41
EPS	5.36	0	0	3.34	60.47

Source: Capitaline Database

Nahar Spinning Mills Ltd. has reported robust results for the quarter ended March 2010 with the Net Profit up by 433.9% to Rs 19.33 crore as compared to Net Loss of Rs. 5.79 crore in the same quarter previous year. During the quarter the operating Income grew by 205.8% to Rs. 3.18 crore as compared to Rs. 1.04 crore in the same quarter previous year. The net sales for the company improved by 31.7% to Rs. 308.13 crore in comparison to Rs. 233.98 crore in the same quarter previous year.

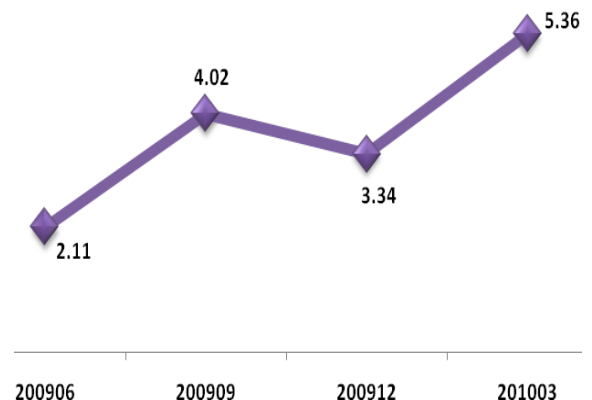
The Company net sales surged by 17.10% to Rs. 308.13 as compared to Rs. 263.14 cr in the previous quarter. The Net profit increased by 60.41% to Rs. 19.33 cr in the quarter as compared to Rs. 12.05 cr in the previous quarter. The EPS for the quarter ended March 2010 is 5.36 as compared to 3.34 in the previous quarter.

Gross & PAT



The Gross sales and PAT for the previous four quarters increased on continuous basis.

Earning Per Share

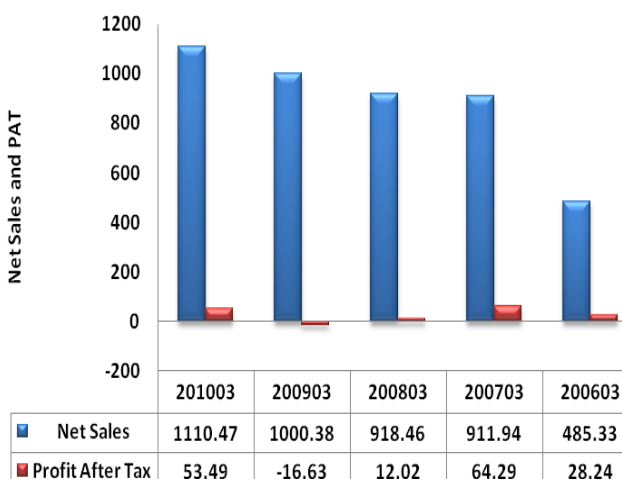


The EPS for the previous four quarters has been continuously increasing. In the Q1FY09 the EPS was 2.11 and in Q4FY10 it grew to 5.36.

HISTORICAL PERFORMANCE

Particulars(In crores)	201003	200903	200803	200703	200603
Net Sales	1110.47	1000.38	918.46	911.94	485.33
Other Operating Income	8.06	5.3	6.86	0	0
Other Income	2.29	1.42	1.3	8.6	17.33
Total Income	1120.82	1007.1	926.62	920.54	502.66
Total Expenditure	930.12	918.7	801.76	737.17	426.66
PBIDT	190.7	88.4	124.86	183.37	76
Interest	40.24	37.37	28.11	18.33	8.48
PBDT	150.46	51.03	96.75	165.04	67.52
Depreciation	69.86	76.11	76.91	71.97	29.23
Tax	27.11	-0.19	7.82	27.23	5.8
Fringe Benefit Tax	0	0	0	0	0
Deferred Tax	0	-8.26	0	1.55	4.25
Reported Profit After Tax	53.49	-16.63	12.02	64.29	28.24
EPS (Unit Curr.)	14.83	0	3.33	17.82	16.91
Dividend (%)	30	10	30	50	50
Equity	18.03	18.03	18.03	18.03	16.7

- For the year ended March 2010, Nahar Spinning Mills Ltd. has reported 421% increase in the Net Profit at Rs 53.49 crore as compared to net loss of Rs. 16.63 crore in FY09 on account of decrease in depreciation and minor increase in interest.
- The Topline of the company grew by 11% in FY10 to Rs. 1110.47 crore in comparison to Rs. 1000.38 crore in FY09.
- The EPS of Nahar Spinning Mills Ltd. for the FY10 stood at Rs.14.83.
- The Operating Profit grew up by 115.72% to Rs.190.7cr in the FY10 as against Rs. 88.4cr in the FY09.



The top line has been increasing at a CAGR of 20.14% whereas the bottom line has not been consistently increasing. The company posted a profit of Rs. 53.49 crore in FY10 in comparison to a net loss of Rs. 16.63 crore in FY09.

BALANCE SHEET

Sr No.	Particulars (In Thousands)	Year ended 31.03.2010		Year ended 31.03.2009	
1	SHAREHOLDERS' FUNDS:				
	(a) Capital		1805.31		1805.31
	(b) Reserves and Surplus		53656.97		48938.57
2	LOAN FUNDS		85591.55		64076.23
3	Deferred Tax Liability		5557.50		4541.00
	TOTAL		146611.33		119361.11
4	FIXED ASSETS		68841.80		67264.92
5	INVESTMENTS		1094.51		1702.48
6	CURRENT ASSETS, LOANS AND ADVANCES				
	(a) Inventories		48847.36		20172.60
	(b) Sundry Debtors		24541.48		23716.10
	(c) Cash and Bank Balances		1826.33		935.85
	(d) Other Current Assets		0		0
	(e) Loans and Advances		13401.62		11817.14
	Less: Current Liabilities and Provisions				
	(a) Liabilities	9625.94		5607.00	
	(b) Provisions	2315.83	11941.77	640.98	6247.98
7	MISCELLANEOUS EXPENDITURE (NOT WRITTEN OFF OR ADJUSTED)		0		0
8	PROFIT AND LOSS ACCOUNT		0		0
	TOTAL		146611.33		119361.11

Source: Company Results

Excerpts From News

According to Hindu Business Line:

Need to formulate R&D policy for textile industry, says FICCI study

Chamber recommends setting up of a National Textiles Research Council

Raising concern over India's share in U.S. imports of technical textiles and non-woven fabrics which is way behind China, Federation of Indian Chambers of Commerce and Industry (FICCI) on Tuesday said the domestic industry needed R&D support. "India's share in U.S. imports of special purpose fabric (technical textiles) and non-woven fabrics was merely 2.6 per cent and 1.2 per cent, respectively in 2009 as compared to China's share of 15 per cent and 12 per cent," a FICCI study said. India needs to strengthen its capabilities to tap this growing market as technology-intensive products are the future, it said. The study said there was a need to formulate a comprehensive research and development (R&D) policy for the Indian textile industry. The chamber has submitted its recommendations to the Ministry of Textiles in this regard.

Eco-friendly textiles

"The policy should aim at increasing the country's share of advance technology-based products and high value-added items in global market to 7 per cent in the next five years from less than 2 per cent now," the FICCI study said. The chamber has also recommended setting up of a National Textiles Research Council with a seed-money of Rs. 30 crore and an annual grant of Rs. 10 crore. The chamber said the policy should provide a special focus on eco-friendly textiles that would help in reducing carbon footprint.

Why to Invest in shares of Nahar Spinning Mills Ltd.?

SECTOR:

Textile Sector Contribution:

- ✚ According to the Annual Report 2009-10 of the Ministry of Textiles, the Indian textile industry contributes about 14 per cent to industrial production, 4 per cent to the country's gross domestic product (GDP) and 17 per cent to the country's export earnings, according to the Annual Report 2009-10 of the Ministry of Textiles. It provides direct employment to over 35 million people and is the second largest provider of employment after agriculture.
- ✚ According to the Ministry of Textiles, the cumulative production of cloth during April'09-March'10 has increased by 8.3 per cent as compared to the corresponding period of the previous year.
- ✚ Total textile exports have increased to US\$ 18.6 billion during April'09-January'10, from US\$ 17.7 billion during the corresponding period of the previous year, registering an increase of 4.95 per cent in rupee terms. Further, the share of textile exports in total exports has increased to 12.36 per cent during April'09-January'10, according to the Ministry of Textiles.
- ✚ As per the Index of Industrial Production (IIP) data released by the Central Statistical Organisation (CSO), cotton textiles has registered a growth of 5.5 per cent during April-March 2009-10, while wool, silk and man-made fibre textiles have registered a growth of 8.2 per cent while textile products including wearing apparel have registered a growth of 8.5 per cent.

Technical Textile Segment:

- ✚ According to the Ministry of Textiles, technical textiles are an important part of the textile industry. The Working Group for the Eleventh Five Year Plan has estimated the market size of technical textiles to increase from US\$ 5.29 billion in 2006-07 to US\$ 10.6 billion in 2011-12, without any regulatory framework and to US\$ 15.16 billion with regulatory framework.
- ✚ The Scheme for Growth and Development of Technical Textiles aims to promote indigenous manufacture of technical textile to leverage global opportunities and cater to the domestic demand.

Government Initiative for Textile Industry:

- ✚ According to the Ministry of Textiles, investment under the Technology Upgradation Fund Schemes (TUFS) has been increasing steadily. During the year 2009-10, 1896 applications have been sanctioned at a project cost of US\$ 5.23 billion. The cumulative progress as on December 31, 2009, includes 27,477 applications sanctioned, which has triggered investment of US\$ 45.5 billion and amount sanctioned under TUFS is US\$ 18.9 billion of which US\$ 16.4 billion has been disbursed so far till the end of April, 2010.
- ✚ Future Prospects: In May 2010, the Ministry of Textiles informed a parliamentary panel that it proposes to allocate US\$ 785.2 million for the modernisation of the textile industry.
- ✚ The Scheme for Integrated Textile Park (SITP) was approved in July 2005 to facilitate setting up of textiles parks with world class infrastructure facilities. 40 textiles park projects have been sanctioned under the SITP. According to the Minister of State for Textiles, Panabaaka Lakshmi, under the SITP, a cumulative expenditure of US\$ 204.3 million has been incurred against allocation of US\$ 220.7 million in the last three years.

COMPANY:

- ✚ The company is into yarn segment and garment segment. Yarn segment contributes 89% to the total revenue and garment segment contributes 11% to the total revenue.
- ✚ The company is the best company among its peers as it is available at attractive P/E of 5.92.
- ✚ Nahar Spinning Mills Ltd. presently has installed spindlage of 33500 spindles.
- ✚ The company exports its t-shirts to many international brands and in India the company's brand Cotton Country is well known.

FUNDAMENTALS:

- ✚ The company's sales has been growing at a CAGR of 20.14%. The Topline of the company grew by 11% in FY10 to Rs. 1110.47 crore in comparison to Rs. 1000.38 crore in FY09
- ✚ The company is available at an attractive P/E of 5.92. The textile industry P/E is 9.85
- ✚ The Operating Profit grew up by 115.72% to Rs.190.7cr in the FY10 as against Rs. 88.4cr in the FY09.
- ✚ Nahar Spinning Mills Ltd. has a debt to equity ratio of 1.54.
- ✚ The company posted a strong EPS of 14.83 in FY10.

Notes: Figures and graph sourced from www.bseindia.com, capital market and Company reports.

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