



NITIN SPINNERS LTD.



REF: NSL/SG/2021-22/
July 14, 2021

BSE Limited
Department of Corporate Services
PhirozeJeejeebhoy Towers
Dalal Street
Mumbai – 400 001

National Stock Exchange of India Limited
Exchange Plaza,
BandraKurla Complex
Bandra (E),
Mumbai – 400 051.

Company Code – 532698

Company ID - NITINSPIN

Sub. : Assignment of Credit Rating (Outlook upgraded from Negative to Stable)

In pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform you that the CARE Ratings Agency has assigned following credit rating to the Company :-

Facilities	Present Credit Rating	Previous Rating
Long Term Bank Facilities	CARE A; Stable (Single A; Outlook : Stable) Assigned	BWR A (BWR A) Outlook – Negative (Reaffirmation)
Short Term Bank Facilities	CARE A1 (A One) Assigned	BWR A1 (BWR A One) (Reaffirmation)

A copy of letter dtd. 13.07.2021 as issued by the rating agency is attached herewith.

Thanking you,

Yours faithfully,

For-Nitin Spinners Ltd.



(Sudhir Garg)
Company Secretary & GM (Legal)

Encl. as above

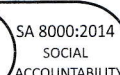
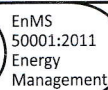
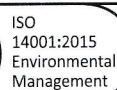
CIN. : L17111RJ1992PLC006987

Regd. Office & Plant : 16-17 Km. Stone, Chittor Road, Hamirgarh, Bhilwara (Raj.) 311 025

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No. CARE/DRO/RL/2021-22/1798

Shri P Maheswari
Chief Financial Officer
Nitin Spinners Limited
16-17 KM STONE, CHITTOR ROAD,
HAMIRGARH,
Bhilwara
Rajasthan 311025

July 13, 2021

Confidential

Dear Sir,

Credit rating for bank facilities

Please refer to your request for rating the bank facilities of your Company

2. The following ratings have been assigned by our Rating Committee:

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	1,133.36	CARE A; Stable (Single A; Outlook: Stable)	Assigned
Short Term Bank Facilities	54.85	CARE A1 (A One)	Assigned
Total Facilities	1,188.21 (Rs. One Thousand One Hundred Eighty-Eight Crore and Twenty-One Lakhs Only)		

3. Refer **Annexure 1** for details of rated facilities.
4. The above rating is normally valid for a period of one year from the date of our initial communication of rating to you (that is July 06, 2021).
5. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

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which is enclosed for your perusal as Annexure 2. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by July 14, 2021, we will proceed on the basis that you have no any comments to offer.

6. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
7. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
8. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
9. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
10. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
11. CARE ratings are **not** recommendations to sanction, renew, disburse or recall any bank facilities.

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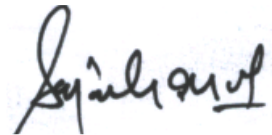
12. If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE.

Thanking you,

Yours faithfully,



Harshit Airi
Analyst
harshit.airi@careratings.com



Sajan Goyal
Director
sajan.goyal@careratings.com

Encl.: As above

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

Annexure 1
Details of Rated Facilities

1. Long Term Facilities

1.A. Term Loans

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	Punjab National Bank	267.35	
2.	Bank of Baroda	130.01	
3.	Punjab National Bank	121.29	[e OBC]
4.	Union Bank of India	94.00	
5.	State Bank of India	65.71	
	Total	678.36	

1.B. Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	State Bank of India	128.00	CC
2.	Punjab National Bank	116.00	
3.	Punjab National Bank	86.00	CC [e OBC]
4.	Bank of Baroda	50.00	CC
5.	Union Bank of India	40.00	
6.	Punjab National Bank	35.00	BD
	Total	455.00	

Total Long Term Facilities : Rs.1,133.36 crore

2. Short Term Facilities

2.A. Non-Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	Punjab National Bank	19.00	LC/BG
2.	Punjab National Bank	9.25	LC/BG [e OBC]
3.	Union Bank of India	5.00	LC/BG
4.	Bank of Baroda	3.00	
5.	Punjab National Bank	3.00	Forward Contract Limit (CEL)
6.	Bank of Baroda	2.50	
7.	State Bank of India	2.00	
8.	Punjab National Bank	1.72	Forward Contract Limit (CEL) [eOBC]
9.	Union Bank of India	0.80	Forward Contract Limit (CEL)
10.	Proposed	8.58	
	Total	54.85	

Total Short Term Facilities : Rs.54.85 crore

Total Facilities (1.A+1.B+2.A) : Rs.1,188.21 crore

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Annexure 2
Nitin Spinners Limited

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	1133.36	CARE A; Stable (Single A; Outlook: Stable)	Assigned
Short term Bank Facilities	54.85	CARE A1 (A One)	Assigned
Total Facilities	1188.21 (Rs. One Thousand One Hundred Eighty-Eight Crore and Twenty-One Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale& Key Rating Drivers

The ratings assigned to the bank facilities of Nitin Spinners Limited (NSL) take into account the significant experience of its promoters in textile industry, NSL being a well-recognized entity with a long track record of operations in the industry and a diversified product profile. The rating also factors in the company's increasing scale of operations with healthy profitability margins, its reputed customers, low customer concentration risk and its integrated manufacturing facility with captive thermal and solar power plants. The ratings, however, remain constrained by the company's moderately leveraged capital structure partially offset by subsidized interest rates and its susceptibility to volatility in raw material prices and foreign exchange fluctuations. Ratings are further constrained by highly fragmented nature of the textile industry coupled with intense competition.

Rating Sensitivities:

Positive:

- Increase in total income above Rs.2000 Cr while maintaining PBILDT margin above 15% on a sustained basis
- Improvement in overall gearing below 1x

Negative:

- Any additional term loan resulting in increase in gearing beyond 2x
- Decline in PBILDT margin below 12%

Detailed description of the key rating drivers

Key Rating Strengths

Experience of promoters in the textile industry

NSL was promoted by the Nolkha family in 1992. The Chairman, Mr. RL Nolkha, has had an experience of over four decades in the textile industry. At present, he is also the Vice Chairman of Confederation of Textiles Industries (CITI) and a member of the Board of Governors of Textiles Skill Development Council. The Managing Director, Mr Dinesh Nolkha, has around three decades of industrial experience and handles yarn marketing, finance and general administration. He is also Chairman of Northern India Textiles Research Association (NITRA) and a committee member of Rajasthan Textiles Mills Association (RTMA). Mr Nitin Nolkha, Joint Managing Director, has around two decades of industrial experience, and looks after marketing of fabrics, procurement of materials and implementation of projects.

Well-recognized entity with long track record of operations in the industry

NSL has a track record of around three decades of operating in the Indian textile industry. The company has presence in more than 60 countries globally, deriving more than half of income from exports. Furthermore, NSL has various accreditations pertaining to quality management (ISO 9001:2015), energy management (ISO 50001), environmental management (ISO 14001: 2015) and occupational health and safety management (OHSAS 18001).

The company has also received many awards over the years in the area of exports. Recently, for the year 2019-2020, the company has won Gold Trophy for its superlative export performance in Cotton Yarn - Counts 51s &

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Above category and Silver Trophy for the second best export performance in Cotton Yarn - Counts 50s & Below category, from The Cotton Textiles Export Promotion Council (TEXPROCIL).

Diversified product profile

NSL is engaged in manufacturing of varieties of cotton yarn, knitted fabrics and finished woven fabrics. Yarn accounts for the majority of the revenue generated by the company through count ranging from 6 to 100s, registering around 68% of the sales in FY21 (PY: 73%), followed by woven and knitted fabrics.

Increasing scale of operations with high profitability margins

The total income of the company registered a CAGR of 14.44% from FY19 to FY21, reporting a total income of Rs.1625.79 Cr in FY21 (PY: Rs.1542.19 Cr). The increase in income was due to the expansion undertaken by the company in FY19 and FY20. The company registered a PBILDT margin of 15.91% in FY21 compared to 13.22% the previous year. The PAT margin of the company has bounced back to 4.24% in FY21 from 1.54% the previous year with the increase in scale of operations.

Reputed and diversified customer profile

The customer base of the company is diversified with top ten customers accounting for only 16% of the total income of the company in FY21 (PY: 18%), with each customer having less than 5% share of the total income. Some of the renowned customers of the company are Raymond, Donear, D'Decor, Siyaram's, Welspun India in domestic market and Zara, United Colors of Benetton, H&M, Marco Polo in international market.

Integrated facility with captive thermal and solar power plant

As a part of value addition and widening its product range, the company has set up an integrated textiles complex at Tehsil Begun, District Chittorgarh, Rajasthan equipped with modern spinning, weaving, dyeing, finishing and printing facilities with the zero pollution emissions. Furthermore, the company also has set up a 10.5 MW thermal power plant and 8.5 MW rooftop solar power plant for captive consumption ensuring consistent power supply.

Key rating weaknesses

Moderately leveraged capital structure partially offset by subsidized interest rates

The capital structure of the company stands moderately leveraged with an overall gearing of 1.71x as on March 31, 2021, which, however, was an improvement over the previous year when gearing was reported at 2.11x. The high gearing of the company is primarily due to the term loan availed by the company in FY19 and FY20 for capacity expansion. However, the PBILDT interest coverage stood comfortable at 4.20x in FY21 (PY: 3.67) owing to the interest subsidy provided to the company under the Rajasthan Investment Promotion Scheme (RIPS). The total debt-to-GCA ratio improved to 4.87x as on March 31, 2021 (PY: 8.91x) owing to the higher accruals and scheduled repayment of debt.

Susceptibility to volatility in the raw material prices and foreign exchange fluctuations

The basic raw material consumed by NSL to produce yarn is cotton, which accounted for more than 90% of the cost of total raw material purchased by the company in FY21 and FY20. Cotton prices, which are dependent on the Government policies, effect of monsoon, etc. have been highly volatile in the past few years. Furthermore, the ability to transfer the volatility in raw material prices is limited as the prices of both raw materials and finished goods are dependent upon the market conditions.

NSL is exposed to foreign currency fluctuation risk as the company derives significant portion of its revenue from the export market (exports accounted for 63% of the total revenue in FY21 and 55% in FY20). Thus, profitability margins of the company remain susceptible to any adverse movement in the foreign currency. However, the company has a policy to hedge its foreign currency exposure through forward contracts. The company has reported net foreign exchange fluctuation gain of Rs.15.76 Cr in FY21.

Highly fragmented nature of industry coupled with intense competition

NSL operates in a cyclical and fragmented textile yarn industry marked by organised as well as unorganised players. The textile industry holds significant presence in the Indian economy, currently estimated to be over \$120 billion. The industry has around 4.5 crore workers including 35.22 lakh handloom workers all over the country. Intense competition in the industry limits the pricing abilities of the players in the industry.

Liquidity: Adequate

The liquidity profile of the company is marked by sufficient gross cash accruals in FY22 against scheduled loan repayment of Rs.114.50 crore. Unutilized cash credit of around Rs.90-100 crore provides additional liquidity. The company does not have any significant capex planned in the coming years other than minor maintenance capex. The working capital utilization stood at around 80% of the sanctioned limit for the last 12 months ended May 2021. The current ratio of the company was reported at 1.27x as on March 31, 2021. The operating cycle of the

company stood elongated at 109 days in FY21 (PY: 101 days) owing to the high average inventory holding period of around three months in FY21.

Analytical approach:

Standalone

Applicable Criteria

[CARE's Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's methodology for Short-term Instruments](#)

[CARE's methodology for Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's methodology for Cotton Textile Manufacturing](#)

About the Company

NSL, promoted by Nolkha family, is one of the leading manufacturers of cotton yarn, knitted fabrics, greige and finished woven fabrics and a Government of India-recognized export house. Established in 1992, NSL started operations with open end spinning with 384 rotors. Currently, the company has an integrated textiles complex with over 3 lakh spindles, 3488 rotors, 63 knitted machines and 168 air jet weaving machines.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)
Total operating income	1542.19	1625.79
PBILDT	203.82	258.64
PAT	23.82	68.87
Overall gearing (times)	2.11	1.71
Interest coverage (times)	3.67	4.20

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	678.36	CARE A; Stable
Fund-based-Working capital facilities	-	-	-	455.00	CARE A; Stable
Non-fund-based-Short Term	-	-	-	54.85	CARE A1

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT	678.36	CARE A; Stable	-	-	-	-
2.	Fund-based-Working capital facilities	LT	455.00	CARE A; Stable	-	-	-	-
3.	Non-fund-based-Short Term	ST	54.85	CARE A1	-	-	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA

Annexure 4: Complexity level of various instruments rated for this company:

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple
2.	Fund-based-Working capital facilities	Simple
3.	Non-fund-based-Short Term	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact us

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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