



Rating Rationale

Nitin Spinners Limited

19 August 2021

Brickwork Ratings reaffirms ratings with a change in Outlook from Negative to Stable for the Bank Loan Facilities of Rs 1188.21 Crs of Nitin Spinners Limited.

Particulars

Facility**	Amount (Rs in Crs)		Tenure	Rating*	
	Previous	Present		Previous (27-Aug-2020)	Present
Fund Based	1223.58	1133.36	Long Term	BWR A (Negative) (Reaffirmation)	BWR A (Stable) (Reaffirmation and change in Outlook)
Non Fund Based	42.25	54.85	Short Term	BWR A1 (Reaffirmation)	BWR A1 (Reaffirmation)
Total	1265.83	1188.21	Rupees One Thousand One Hundred Eighty Eight Crores and Twenty One lakhs Only)		

* Please refer to the BWR website www.brickworkratings.com/ for the definition of the ratings.

** Details of bank facilities are mentioned in Annexure-I.

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) reaffirms the long-term rating at BWR A with a change in the outlook from Negative to Stable, and reaffirms short-term rating at A1 for the bank loan facilities of Nitin Spinners Limited (NSL or the company).

The rating reaffirmation factors in the company's experienced management and established operational track record, growing scale of operations, comfortable financial risk profile having comfortable debt protection metrics, current ratio, cash conversion cycle and improved profit margins, along with adequate liquidity. The rating is however constrained by raw material price volatility risk and competition and high gearing.

The outlook has been changed from Negative to Stable as the company has done reasonably well post the first wave of Covid-19 and the lockdowns consequently imposed. The company has registered revenue of Rs 553.86 Crs and a PAT of Rs 60.01 Crs in Q1FY22, which indicates healthy recovery. The industry outlook is also improving led by favorable export demand for indian cotton yarn and fabrics in the global markets.

KEY RATING DRIVERS

BWR has principally relied on audited financials upto FY21, projections upto FY23, publicly available information and information/clarification provided by the management.

Credit Strengths:-

- **Experienced promoters and established company:** NSL is a well-established player in the textile industry (especially the cotton yarn segment), and its promoters are well-experienced; Mr. R.L Nolkha has more than four decades of experience in the cotton textile industry, and he is also supported by his sons Mr. Dinesh Nolkha and Mr. Nitin Nolkha, with more than two decades of overall experience in the industry. The company has well-established relations with both domestic and international customers.
- **Improved scale of operations:** The company's total operating income (TOI) has consistently improved y-o-y, with a compounded annual growth rate (CAGR) of 12.36% for the last 3 years. The company's TOI has improved from Rs 1438.06 Crs in FY20 to Rs 1624.41 Crs in FY21 owing to increased and improved plant utilisation and led by improved export and domestic demand. The company had completed the second round of the expansion programme of the spinning and weaving section, adding 76992 spindles, 552 rotors and 168 weaving machines for which commercial operations commenced in July 2019. The expansion programme for the finished fabric section commenced operations in January 2020. The company registered revenue of Rs 553.86 Crs in Q1FY22, indicating consistent growth in revenue despite the Covid-19 impact.
- **Comfortable debt protection metrics:** NSL continues to benefit from the interest subsidy (6.% on Rs 455 Crs term loans) that the company receives under the Rajasthan Investment Promotion Scheme (RIPS). It also has approximately 37% of the total term borrowings under the Technology Upgradation Fund Scheme (TUFS), as well as RIPS, which enjoys a 4% to 6% subsidy. NSL's debt protection metrics continue to remain comfortable, the interest service coverage ratio (ISCR) has improved to 4.18x in FY21 (3.06x in FY20) and the debt service coverage ratio (DSCR) is at 1.59x in FY21 (1.43x in FY20).
- **Current ratio and cash conversion cycle:** The company's current ratio is comfortable at 1.27x in FY21 (1.15x in FY20). The operating cycle was at a reasonable level of 107 days in FY21, against 94 days in FY20. There is an increase in the operating cycle, mainly due to increased inventory days from 73 to 87 days in FY21, which is due to the increase in the raw material stock level in view of the availability of cotton at reasonable prices, besides an increase in the stock of finished goods with respect to an increase in scale of operations and the company also maintaining a higher stock in view of higher exports. NSL had low receivables days, of only 36 days in FY21 (35 days in FY20).
- **Improvement in profit margins:** The company's net profit margin has improved from 1.66% in FY20 to 4.24% in FY21, and operating profit improved from 11.81% in FY20 to 15.84% in FY21, led by an increase in per-unit realisations.

Credit Risks:-

- **Raw material price volatility risk and competition:** The major raw material used in the manufacturing is cotton, a highly volatile commodity, and its prices are influenced by factors such as global demand-supply imbalance, agro-climatic conditions and government intervention. Product prices are also impacted by competition from domestic and international peers.



- **Moderately high gearing:** The company has a moderate gearing; however, the company's gearing (total debt/tangible net worth) has improved from 2.11x in FY20 to 1.71x in FY21. The gearing is expected to be improved in future on account of the repayment of the current portion of long-term debt (CPLTD) and accumulation of reserves and surplus.

ANALYTICAL APPROACH

BWR has factored in the standalone business parameters and financial risk profile of the trust to arrive at the rating. Reference may be made to the detailed Rating Criteria hyperlinked below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Upward: The outlook may be revised to Positive or the rating may be upgraded if BWR observes a consistency in the company's growth, besides a reasonable improvement in the company's financial risk profile, or continue to be at the same level.

Downward: BWR may revise the ratings downwards if the company achieves notably lower revenue than expected, and a deterioration in the debt protection metrics and liquidity.

LIQUIDITY POSITION (Adequate) :

The company had cash accruals (PAT + Depreciation) of Rs 159.90 Crs against the CPLTD of Rs 77.46 Crs, in FY21. The working capital utilisation is around 70%-80% and provides further cushion to the company's liquidity. BWR expects sufficient cash accruals to repay CPLTD of Rs 114.46 Crs in FY22.

COMPANY PROFILE

Nitin Spinners Ltd. (NSL) was incorporated in 1993 at Bhilwara, Rajasthan. It is a well-established player in the cotton yarn segment, an ISO 9001:2008 certified company and a Government of India recognised export house. The company also has environment and energy management system certifications ISO 14000 and ISO 50001, OHSAS for occupational safety and SA 8000 for social accountability. It is a listed entity on the NSE and BSE. The company has a present production capacity of 72000 MTPA for yarn manufacturing, 8500 MT for knitted fabrics (tonne), 27 million meters for grey fabrics and 30 million meters for processed woven fabrics. The company is promoted by Mr. R.L Nolkha, who has more than four decades of experience in the cotton textile industry. He is supported by his sons Mr. Dinesh Nolkha and Mr. Nitin Nolkha. The promoters have also hired qualified professionals to manage different aspects of the business. The board also includes three independent directors to ensure corporate governance in the company.

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY20	FY21
Result Type		Audited	Audited
Total Operating Income	Rs.in Crs	1438.06	1624.41
OPBDIT	Rs.in Crs	169.77	257.26
PAT	Rs.in Crs	23.82	68.87
Tangible Net Worth (TNW)	Rs.in Crs	492.5	562.14
Total Debt/TNW	Times	2.11	1.71
Current Ratio	Times	1.15	1.27

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY: NA

RATING HISTORY FOR THE LAST 3 YEARS (INCLUDING WITHDRAWN/SUSPENDED)

Facilities Available	Current Rating (2021)			2020		2019		2018	
	Tenure	Amount (In Crs)	Rating	Date	Rating	Date	Rating	Date	Rating
Bank Loan Fund Based (FB)	Long Term	1133.36	BWR A (Stable) (Reaffirmation and change in Outlook)	27Aug 2020	BWR A (Negative) (Reaffirmation and change in Outlook)	23Jul 2019	BWR A (Positive) (Reaffirmation)	19Jul 2018	BWR A (Positive) (Reaffirmation and change in Outlook)
				02Mar 2020	BWR A (Stable) Reaffirmation and change in Outlook	-	-	-	-
Bank Loan Non Fund Based (NFB)	Short Term	54.85	BWR A1 (Reaffirmation)	27Aug 2020	BWR A1 (Reaffirmation)	23Jul 2019	BWR A1 (Reaffirmation)	19Jul 2018	BWR A1 (Reaffirmation)
				02Mar 2020	BWR A1 (Reaffirmation)	-	-	-	-
Total		1188.21	Rupees One Thousand One Hundred Eighty Eight Crores and Twenty One lakhs Only)						

COMPLEXITY LEVELS OF THE INSTRUMENTS (Simple)

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com / download / ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf).

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

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Nitin Spinners Ltd.

ANNEXURE I
Details of Bank Facilities rated by BWR

S. No.	Name of the Bank/Lender	Type of Facilities	Long Term (Rs.Crs)	Short Term (Rs.Crs)	Total (Rs.Crs)
1.	Punjab National Bank	Term Loan FBWC (CC/EPC/FBD/FBP) ILC/FLC/BG Credit Exposure Limit (CEL)	388.64 237 - -	- - 28.25 7.30	661.19
2.	Bank of Baroda	Term Loan FBWC (CC/EPC/FBD/FBP) ILC/FLC/BG Credit Exposure Limit (CEL)	130.01 50.00 - -	- - 3.00 2.50	185.51
3.	State Bank Of India (SBI)	Term Loan FBWC (CC/EPC/FBD/FBP) ILC/FLC/BG Credit Exposure Limit (CEL)	65.71 128.00 - -	- - 6.00 2.00	201.71
4.	Union Bank of India	Term Loan FBWC (CC/EPC/FBD/FBP) ILC/FLC/BG Credit Exposure Limit (CEL)	94.00 40.00 - -	- - 5.00 0.8	139.80
	TOTAL				1188.21
	Rupees One Thousand One Hundred Eighty Eight Crores and Twenty One lakhs Only				



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