Nitin Spinners Limited

July 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	2,375.62 (Enhanced from 1,706.04)	CARE A; Positive	Reaffirmed; Outlook revised from Stable
Short-term bank facilities	66.70	CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to Nitin Spinners Limited (NSL) continue to derive strength from the promoter's extensive experience in textile industry and the company's long-standing track record as an integrated textile mill with presence across cotton and blended yarn, woven, and knitted fabrics. Ratings are further supported by NSL's reputed and diversified clientele, moderately diversified product portfolio and geographical revenue stream. Ratings also favourably factor NSL's financial risk profile marked by growing scale of operation, healthy net worth base and adequate liquidity.

However, ratings are tempered by the inherent implementation and saleability risk associated with the significantly large size on-going debt-funded expansion project which shall impact the company's leverage and debt coverage indicators in the near term due to drawl of term debt and expected increase in the working capital borrowings to support the enhanced scale of operations. However, a track record of successful and timely execution of such large sized project reduces these risks to some extent. Ratings also remain constrained by susceptibility of its profitability to fluctuations in raw material prices and foreign exchange rates, as well as its presence in the cyclical and fragmented textile industry apart from near term uncertainty of US tariff on Indian textile products. Ratings also factor in modest return indicators and fixed asset turnover ratio inherent to textile industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improving total debt to profit before interest, lease rentals, depreciation and taxation (TD/PBILDT) below 2.5x on a sustained basis.
- Total outside liabilities to tangible net worth (TOL/TNW) below unity on a sustained basis.
- More than 50% financial and physical progress of its ongoing expansion project as per the envisaged timeline.

Negative factors

- Declining PBILDT margin below 13% on a sustained basis.
- Increasing overall gearing ratio beyond 1.5x and TD/PBILDT beyond 3.5x on a sustained basis.
- Significant time and cost overrun in its ongoing project thereby impacting its debt coverage indicators.

Analytical approach: Standalone

Outlook: Positive

Positive outlook reflects CARE Ratings Limited's (CareEdge Ratings') expectation of growth in scale of operations and profitability, apart from improvement in debt coverage indicators and return ratios post successful commissioning of ongoing expansion project. Over the last four years, NSL has demonstrated sustained improvement in its financial risk profile marked by continuous growth in revenue and profitability, controlled debt level and efficient working capital management and this is likely to continue.

Detailed description of key rating drivers:

Key strengths

Experienced promoters in the textile industry

NSL was promoted by the Nolkha family in 1992. Late R L Nolkha was first-generation entrepreneur and presently, his sons are looking after the operations of the company. Dinesh R Nolkha, chairman and managing director, has around three decades of industrial experience and handles yarn marketing, finance, and general administration. He is vice chairman of Confederation of Indian Textile industries (CITI) and has served as the president of Mewar Chamber of Commerce and Industry and the chairman of NITRA. Nitin R Nolkha is the managing director, has around two decades of industrial experience, and looks after marketing of fabrics, procurement of materials, and implementation of projects.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Long and established track record with integrated nature of operations in textile industry
NSL has a track record of over three decades of operations in the Indian textile industry. NSL commenced operations in 1992 with a small capacity of 384 rotors at its plant in Bhilwara (Rajasthan). Over the years, NSL expanded its operations to include open-end yarns, ring-spun yarns, blended yarns, knitted fabrics, and finished woven fabrics. As a part of value addition and widening its product range, the company has set up an integrated textile mill in Chittorgarh (Rajasthan) equipped with modern spinning, weaving, dyeing, finishing, and printing facilities with zero liquid discharge water treatment plant. Presently, NSL has an installed capacity of 434,832 spindles, 5,864 rotors and 264 air-jet spinning positions producing 110,000 tons yarn per annum as on March 31, 2025. Further, it also has 77 circular knitting machines with a capacity to produce nearly 11,000 tons knitted fabrics per annum, 222 looms and dyeing, printing, and finishing capacities to make ~400 lakh metres finished fabrics annually at its two plants in Rajasthan as on even date. Additionally, NSL has an 18.8 MW solar power plant for captive consumption, helping to reduce power costs to some extent. The company is also investing ~₹17 crore for the acquisition of 18.12% equity stake in a hybrid power project of 18 MW which should also support its profitability going forward.

Moderately diversified product profile with large share of revenue contributed by cotton and blended yarns
NSL is engaged in manufacturing of wide variety of cotton and blended yarn, knitted fabrics, and finished woven fabrics. Cotton and blended yarn remain the primary revenue contributor, accounting for 73% of sales in FY25 (PY: 70%), followed by woven fabrics at 17% (PY: 20%) and knitted fabrics at 5% (PY: 5%). Integrated nature of its operations support the company's operating profitability margins. NSL produces various grades of cotton yarn, with counts ranging from 6s to 100s, and continues to focus on delivering value-added products to its customers. It offers a wide range of yarn to cater to the requirements of both woven and knitted fabric.

Reputed and diversified customer profile with good presence in export markets
NSL's customer base is diversified with top 10 customers accounting for 24% of its total income in FY25 (PY: 17%). NSL supplies its products to some renowned brands such as Raymond, Arvind, Donear, D'Decor, Siyaram's, Welspun, and others, in domestic market and Zara, United Colors of Benetton, Hennes & Mauritz (H&M), and Marco Polo, in the international market. The company enjoys good relationship with these customers and receives repeat orders from them. Moreover, NSL has presence in over 60 countries globally, deriving over half of the revenue from exports. In FY25, the company earned ~64% revenue from the export market (PY: 59%).

Growing scale of operations with relatively stable profitability and improved debt coverage indicators
NSL's revenue grew at a compounded annual growth rate (CAGR) of ~17% over the five-year period ending FY25. Total operating income (TOI) grew by ~14% in FY25 primarily driven by a ~17% rise in sales volumes. The company successfully scaled up production from its expanded capacities, supported by its strong customer relationships and a quality-driven, diversified product portfolio, leading to capacity utilisation of ~90% in FY25. Export demand also improved, aided by the enhanced competitiveness of domestic spinners following the correction in domestic cotton prices. The PBILDT margin improved from 12.98% in FY24 to 14.26% in FY25 with marginal increase in cotton yarns spread and economies of scale.
CareEdge Ratings expects revenue and profitability to remain largely stable in FY26 due to continued optimal utilisation of existing capacity. NSL is expected to achieve incremental revenue of ₹350-400 crore from additional capacity in FY27 with incremental PBILDT of ~₹80 crore.
As on March 31, 2025, NSL's capital structure marked by overall gearing and TOL/TNW improved and stood at 0.89x (PY: 1.17x) and 0.99x (PY: 1.27x), respectively. Improvement was backed by reduction in debt level and accretion of profits to reserve. The company's debt level stood at ₹1,165 crore as on March 31, 2025 (₹1,339 crore as on March 31, 2024). With improvement in profitability and reduction in debt levels, the debt coverage indicators improved marked by PBILDT interest coverage and TD/PBILDT of 5.22x and 2.47x respectively, in FY25 compared to 4.53x and 3.55x respectively, in FY24.

Liquidity: Adequate

NSL's liquidity remains adequate backed by healthy cash accruals and cash flow from operations apart from cushion in the form of undrawn working capital limits. The company is envisaged to earn annual cash accruals of over ₹330-400 crore in FY26 and FY27 which is expected to be adequate for meeting its capex funding requirements apart from term debt repayment obligation of ~₹170-180 crore during the year. The current ratio continued to remain healthy at 1.71x as on March 31, 2025. The average utilisation of its working capital limits stood at 61% for the trailing 12 months ended April 2025.

Key weaknesses

Implementation and saleability risk associated with large size ongoing debt-funded capex
NSL is expanding its cotton yarn, processed weaving fabric and rateable power capacity at existing locations in Rajasthan. The capacity addition is also expected to meet increasing demand of its product, penetrate newer geographies, aid widening of product portfolio and to bring competitive cost advantage by having economies of scale. Additionally, the company is planning to diversify

into specialty yarns, dyed yarns fabric, and high-end fashion fabrics. The project's estimated cost (including margin money for working capital limits, pre-operative expenses and contingency) is ₹1,120 crore (~0.85x of tangible net-worth as on March 31, 2025) which is being funded through term loan of ₹815 crore and remaining through internal accruals. Capacity addition is expected to be operationalised from October 2026. The term loan has a door-to-door tenure of 10 years including a 2-year moratorium period. The repayment is likely to begin from Q3FY28. CareEdge Ratings notes that the company is eligible to receive capital subsidy for 10 years, interest subsidy for 5 years and power cost subsidy under Rajasthan Investment Promotion Scheme 2024.

Such large-scale projects are inherently exposed to execution risks and consequently any delays could lead to cost overruns and impact the currently envisaged timelines for cash flow generation. Apart from that, the demand for cotton and blended yarns are driven by international demand-supply dynamics and susceptible to economic cycles. Historically, the textile industry has witnessed high cyclicality wherein demand shoots up and then falls rapidly. Hence, there is a saleability risk associated with the project in case of sudden drop in demand which may adversely impact the company's credit profile. Nevertheless, NSL has a strong track record of completing major expansion projects on schedule and within budget. Timely completion of the project within envisaged cost parameters and realisation of envisaged benefit therefrom would be a key rating sensitivity.

With on-going debt-funded expansion project, leverage and debt coverage indicators are expected to moderate in the near term due to drawl of term debt and expected increase in the working capital borrowings to support the enhanced scale of operations. Further, the company's free cash flow is also expected to constrain in the near term due to large size capital commitment towards the capex.

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

The basic raw material consumed by NSL to produce yarn is raw cotton, which accounts for ~60-70% of the total cost of production. The raw cotton prices are volatile in nature and depends on factors such as area under production, yield for the year, vagaries of the monsoon, international demand-supply scenario, inventory carry forward from the previous year, and minimum support price (MSP) decided by the government. Raw cotton prices have been volatile over the last couple of years, which translates into risk of inventory losses for the industry players, though at times it also leads to inventory gains. Collectively, these factors and intense competition in the industry contribute to low bargaining power of yarn manufacturers and volatility in profitability. NSL is also exposed to the foreign currency rate fluctuation as the company derives significant portion of its revenue from the export market (exports accounted for 64% of the total revenue in FY25). Thus, the company's profitability margins remain susceptible to adverse movement in the foreign currency. However, the company has a policy to hedge its foreign currency exposure through forward contracts mitigating the forex exposure to an extent. As on March 31, 2025, ₹9.44 crore of the company's foreign currency exposure remained unhedged, therefore reducing the risk to minimal levels. The company reported net foreign exchange fluctuation gain of ₹22.74 crore in FY25 (FY24: ₹24.54 crore).

Presence in fragmented, cyclical, and competitive textile industry

NSL operates in a cyclical and fragmented textile industry marked by presence of many organised and unorganised players leading to high competition in the industry. Apart from competition, the commoditised nature of cotton yarns also limits the pricing ability of the industry players to an extent. The textile industry is inherently cyclical in nature and closely follows the macroeconomic business cycles. The raw material prices and finished goods are also determined by global demand-supply scenario, hence, shift in the macroeconomic environment globally also impacts the domestic textile industry.

Industry outlook

In FY25 India's cotton yarns export remained largely in lines with the export reported for FY24. India's cotton yarns export volume stood at 1,151 million (mn) kg for the FY25 (FY24: 1,216 mn kg). With the arrival of new cotton crops, the prices of cotton in the domestic market corrected significantly and currently, trading at ~₹54,000 – ₹55,000 per candy (~356 Kg).

After largely stable demand in FY25, the demand is likely to see improvement backed by improvement in domestic demand from end user industries such as home textile and readymade garments. Though reciprocal tariff on India was lower than competing countries, trade agreement with the US by India and competing countries during a 90-day pause and resultant tariff would be monitorable. Additionally, the India-UK free trade agreement provides significant export opportunities for Indian garment and home textile players which in turn is expected to improve demand from downstream segments including cotton yarn. On a long-term basis, Indian cotton spinners are expected to maintain stable demand and profitability supported by increasing urbanisation, rising disposable income, China+1 strategy adopted by the major global retail players, trade agreements with key export markets, and various incentives from government such as Refund of Duties and Taxes on Exported Products (RoDTEP), Rebate of State and Central Taxes and Levies (RoSCTL), and Mega Integrated Textile Region and Apparel (PM MITRA) Parks among others.

Applicable criteria

Definition of Default

Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Cotton Textile
Short Term Instruments

3.1 Environmental, social and governance (ESG) risks

Parameter	Compliance and action by the company
Environmental	▪ The company conducts all its operations, ensuring the compliance with statutory and industrial requirements for environment protection, and conservation of natural resources to the extent possible. The facilities of the company are equipped with zero discharge facilities. Further, the facilities are accredited by certifications such as ISO 9001:2015 for Quality Management, ISO 14001:2015 for Environment Management, ISO 50001 for Energy Management and OHSAS 18001 for Occupation Health and Safety Management, SA8000 for Social Accountability among others. ▪ Despite having 18.8 MW of renewable solar power, the reliance on conventional power continue to remain high as the operations of the company is heavily power intensive. ▪ The company uses organic and sustainable cotton in its products, supporting environmentally friendly agricultural practices.
Social	▪ Over the years, the company has been investing in corporate social responsibility (CSR) initiative which includes construction of women's hostel, toilets as a part of the Swachh Bharat Abhiyan, contribution for Covid-relief & vaccination drive, tree plantation, cotton and rural developments among others.
Governance	▪ The company has a balanced mix of Executive and Non-Executive Directors. The Board comprises of six Directors including one Woman Director. The company has 50% Non-Executive Directors, it has an Executive Chairman, and the numbers of Independent Directors are 50% of the total number of Directors. The Independent Directors with their diverse knowledge, experience and expertise bring in their independent judgment in the deliberation and decisions of the Board.

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Consumer discretionary	Textiles	Textiles & Apparels	Other Textile Products

NSL, promoted by the Nolkha family of Bhilwara, is one of the leading manufacturers of cotton yarn, knitted fabrics, greige and finished woven fabrics and a Government of India-recognised export house. Established in 1992, NSL started operations with open-end spinning with 384 rotors. Currently, the company has an integrated textile complex with 434,832 spindles, 5,864 rotors, 77 knitted machines, 222 air jet weaving machines, and 264 air jet spinning machines.

Brief Financials (₹ crore)	FY24 (A)	FY25 (A)
Total operating income	2,906	3,306
PBILDT	377	471
PAT	132	175
Overall gearing (times)	1.17	0.89
Interest coverage (times)	4.53	5.22

A: Audited; Note: 'these are latest available financial results'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	30-09-2035	1,625.62	CARE A; Positive
Fund-based-Working capital facilities	-	-	-	-	750.00	CARE A; Positive
Non-fund-based-Short Term	-	-	-	-	66.70	CARE A1

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Term Loan	LT	1,625.62	CARE A; Positive	-	1)CARE A; Stable (05-Jul-24)	1)CARE A; Stable (05-Jul-23)	1)CARE A; Stable (07-Feb-23) 2)CARE A; Stable (25-Jul-22)
2	Fund-based-Working capital facilities	LT	750.00	CARE A; Positive	-	1)CARE A; Stable (05-Jul-24)	1)CARE A; Stable (05-Jul-23)	1)CARE A; Stable (07-Feb-23) 2)CARE A; Stable (25-Jul-22)
3	Non-fund-based-Short Term	ST	66.70	CARE A1	-	1)CARE A1 (05-Jul-24)	1)CARE A1 (05-Jul-23)	1)CARE A1 (07-Feb-23) 2)CARE A1 (25-Jul-22)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

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

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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