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August 23, 2010

**CARE REVISES THE RATINGS ASSIGNED TO THE ST BANK FACILITIES OF  
NSP KNITTING MILLS AND RE-AFFIRMS RATINGS ASSIGNED TO THE LT BANK FACILITIES**

**Ratings**

<b>Facilities/Instruments</b>	<b>Amount (Rs. crore)</b>	<b>Ratings<sup>1</sup></b>	<b>Remarks</b>
Long-term Bank Facilities	19.15	<b>'CARE BB+' (Double B Plus)</b>	Reaffirmed
Short-term Bank Facilities	26.50	<b>'PR4+' (PR Four Plus)</b>	Revised from PR4 [PR Four]
<b>Total Facilities</b>	<b>45.65</b>		

The ratings assigned by CARE are based on the capital deployed by the partners and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners in addition to the financial performance and other relevant factors.

**Rating Rationale**

The revision in the short term rating reflects improvement in industry scenario, improvement in company's debt coverage indicators and long term leverage position as on Mar.31, 2010 (Prov.). The ratings continue to factor in NSPK's established track record, promoter's experience in the textile industry and longstanding presence in export markets.

The ratings, however, are constrained by the constitution of the entity being a partnership firm, relatively small size of business operations, non-integrated nature of operations to some extent, higher dependence on the managing partner and sales concentration risk in the terms of geography and customer base.

Going forward, ability of NSPK to grow successfully in their existing markets and diversify the client base, achieving higher operating margins through reduction of outsourcing of knitting and printing processes and ability of the firm to finance future capital expenditure without excessively relying on debt would be the key rating sensitivities.

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<sup>1</sup> "Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications".

## Company Profile

N.S.P.Knitting Mills (NSPK), a partnership firm established in the year 1980 by Mr.K.Govindasamy Gounder, is engaged in the manufacture and export of garments, manufacture and marketing of knitted fabrics and yarn in the domestic market. Mr.G.Senniappan, Managing Partner and his wife Mrs.S.Sivakami are the current partners of the firm.

Net sales of NSPK grew by 16% in FY10 (Prov) to Rs.83cr from Rs.72cr in FY09. The company posted a PAT of Rs.1.1cr for FY10 as against Rs.1.3cr achieved during FY09.

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