

Press Release

Birin Spinning Mills Limited

March 20, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 23.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) on the Rs. 23.00 crore bank facilities of Birin Spinning Mills Limited. The outlook is '**Stable**'.

Birin Spinning Mills Limited (BSML) incorporated in 2005 is engaged in the manufacturing and sale of cotton yarn and knitted fabric. The company is led by Directors, Mr A Avinashilingam and Mr D Rangaswamy and has installed capacity of 14400 spindles.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters Mr D Rangaswamy and Mr A Avinashilingam have more than a decades experience in the textile industry.

- **Average financial risk profile**

The average financial risk profile is marked by high gearing of 2.88 times, moderate interest coverage of 1.83 times and Net Cash Accruals to Total Debt of 0.12 times in FY2016. The company's networth has been low at Rs 6.18 cr in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 1.32 times in FY2016.

Weaknesses

- **Working capital intensive operations**

The working capital intensive operations are marked by high gross current asset days of 106 in FY2016 compared to 98 in FY2015. The inventory days are high at 91 days in FY2016 compared to 84 in FY2015 due to fluctuations in raw material prices.

- **Modest scale of operations**

The scale of operations is modest with revenue of Rs 40.61 cr in FY2016 as against Rs 43.61 cr in FY2015. The marginal fall in revenue is because of volatility in cotton and yarn prices.

- **Susceptibility to fluctuations in raw material prices**

The margins are highly susceptible to changes in cotton prices, fibre and the Minimum Support Price fixed by the government. Additionally, the prevailing demand-supply situation restricts bargaining power with suppliers as well. Any adverse movement of cotton prices further impacts profitability.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that the outlook on BSML's rated facilities will remain stable over the medium term

owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers more than envisaged sales and profitability while efficiently managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the envisaged revenue, profitability and the working capital cycle gets further stretched.

About the Rated Entity - Key Financials

For FY2015-16 the company reported Profit After Tax (PAT) of Rs.0.09 cr on total operating income of Rs.40.61 cr as compared to PAT of Rs.0.37 cr on total operating income of Rs.43.69 cr in FY2014-15.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA BB- / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	31-Dec-2020	5.00	SMERA BB- / Stable

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