

Press Release

Birin Spinning Mills Limited

May 08, 2023



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.85	ACUITE BB Stable Reaffirmed	-
Bank Loan Ratings	0.15	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	31.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating to '**ACUITE BB**' (read as **ACUITE double B**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.31.00 Cr bank facilities of Birin Spinning Mills Limited (BSML). The outlook is '**Stable**'.

Rationale for Reaffirmation

The rating reaffirmation is driven by the continuous improvement in the operating performance, long track record of operations and experienced management. The ratings, further, continue to remain constrained by moderate financial risk profile marked by leveraged capital structure & low net worth and moderate working capital operations.

About the Company

Incorporated in the year 2005, Birin Spinning Mills Limited is engaged in manufacturing and sale of cotton yarn. Based in Tirrupur, Tamil Nadu, BSML was initially established as a partnership firm in 2002 and later reconstituted to limited company in 2005. The company is headed by Mr. A. Avinashilingam, Mr. D Rangaswamy and Ms. Rupa Popat. Currently, the production capacity of BSML is 21120 spindles.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of Birin Spinning Mills Limited (BSML).

Key Rating Drivers

Strengths

Long track record of operations and experienced management

BSML has a long standing operations of over two decades. The directors of BSML, Mr.A.Avinashilingam and Mr. D Rangaswamy have an extensive experience of more than three decades in the textile industry. The experience of the partners has resulted in establishing healthy relationships with customers and suppliers. Acuite believes that BSML will continue to benefit from the promoters' established presence in the textile industry and its improving business risk profile over the medium-term

Improving business risk profile

BSML has achieved significant improvement in their revenue generation over the years and has achieved revenues of Rs.92.00 crore in FY2022 as compared to revenues of Rs.66.46 Cr in FY2021. The growth in top line in FY2022 is due to the increase in the capacity utilisation along with the increase in the volume of sales. Further, the company reported revenue of Rs 114 crore for 11MFY23. The operating margin of BSML increased to 12.20 percent in FY2022 as compared to 10.67 percent in FY2021. The operating margins is expected to be ~ 10 per cent for FY2023.

Weaknesses

Below average financial risk profile

The below average financial risk profile of the company is marked by high gearing (debt to equity ratio) & low net worth and above average debt protection metrics. Tangible net worth of the company stood at Rs.12.08 crore as on March 31, 2022 against Rs.8.33 crore as on March 31, 2021. The gearing stood high at 3.83 times as on March 31, 2022 against 4.30 times as on March 31, 2021 and Total Outside Liabilities/Tangible Net Worth TOL/TNW stood at 4.63 times as on March 31, 2022 against 5.21 times as on March 31, 2021. The comfortable debt protection metrics is marked by Interest Coverage Ratio at 3.17 times as on March 31, 2022, and Debt Service Coverage Ratio of 1.30 times as on March 31, 2022. Total debt of Rs.46.28 crore as on March 31, 2022 consist of long-term debt of Rs.18.51 crore, short term debt of Rs.16.21 crore, USL from Directors/Promoters of Rs.6.66 crore and CPLTD stood of Rs.4.90 crore.

Working capital intensive nature of operations

The working capital intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 141 days as on 31st March 2022 as compared to 154 days as on 31st March 2021. The elongated GCA days are on account of high inventory days. The inventory holding stood at 121 days as on 31st March 2022 as compared to 125 days as on 31st March 2021. However, the debtor period stood comfortable at 15 days as on 31st March 2022 as compared to 3 days as on 31st March 2021. Acuité believes that the working capital operations of the firm will remain almost at the same levels in the near to medium term.

Susceptibility to changes in input prices and high competition

BSML's profitability is susceptible to changes in the prices of the raw material, i.e. cotton yarn. The prices of cotton are highly dependent on agro-climatic conditions. Besides, cotton prices are fixed by the government through Minimum Support Price (MSP). However, the purchase price depends on the prevailing demand-supply situation, which limits bargaining power with suppliers as well. Further, the company is exposed to intense competition in the highly fragmented textile industry. The company also faces stiff competition from organized and unorganized players in the domestic market.

Rating Sensitivities

- Improvement in the revenues while maintaining the profit margins.
- Improvement in the working capital management leading to improvement in the overall liquidity position.
- Improvement in the capital structure by reducing reliance on external debt.

Material covenants

None

Liquidity: Adequate

The company's liquidity is adequate marked by sufficient net cash accruals to its maturing debt obligations and average utilization of fund based working capital limits. BSML generated net cash accruals of Rs.6.98 crore in FY2022, while its maturing debt obligations stood of Rs.4.90 crore during the same period. The cash accruals of the company is estimated to remain around Rs.7.67 -11.00 crore during 2023-25, while its repayment obligations are estimated to be around Rs.4.85-4.92 crore over the same period. The fund based limit is utilised at 75.10 percent for the last twelve months ended January, 2023. The current ratio

stood average, 1.20 times ended with March 31, 2022. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook on BSML will remain 'Stable' over the medium term on account of the experienced management and steady business risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or operating margins, deterioration in financial risk profile or further elongation in its working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	92.00	66.46
PAT	Rs. Cr.	3.75	1.05
PAT Margin	(%)	4.08	1.58
Total Debt/Tangible Net Worth	Times	3.83	4.30
PBDIT/Interest	Times	3.17	2.09

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

ICRA vide its press release dated 23.11.2022, had rated the company to ICRA B+/A4(Stable); INC.

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 May 2022	Cash Credit	Long Term	10.41	ACUITE BB Stable (Upgraded from ACUITE BB-)
	Term Loan	Long Term	16.60	ACUITE BB Stable (Upgraded from ACUITE BB-)
	Bank Guarantee	Short Term	0.15	ACUITE A4+ (Reaffirmed)
	Proposed Bank Facility	Long Term	3.84	ACUITE BB Stable (Upgraded from ACUITE BB-)

12 Jan 2022	Working Capital Demand Loan	Long Term	3.70	ACUITE BB- (Issuer not co-operating*)
	Term Loan	Long Term	1.20	ACUITE BB- (Issuer not co-operating*)
	Proposed Bank Facility	Long Term	0.50	ACUITE BB- (Issuer not co-operating*)
	Cash Credit	Long Term	11.00	ACUITE BB- (Issuer not co-operating*)
	Term Loan	Long Term	1.40	ACUITE BB- (Issuer not co-operating*)
	Term Loan	Long Term	1.39	ACUITE BB- (Issuer not co-operating*)
	Term Loan	Long Term	1.15	ACUITE BB- (Issuer not co-operating*)
	Term Loan	Long Term	1.17	ACUITE BB- (Issuer not co-operating*)
	Working Capital Demand Loan	Long Term	1.10	ACUITE BB- (Issuer not co-operating*)
	Term Loan	Long Term	0.08	ACUITE BB- (Issuer not co-operating*)
	Term Loan	Long Term	3.68	ACUITE BB- (Issuer not co-operating*)
	Term Loan	Long Term	4.63	ACUITE BB- (Issuer not co-operating*)
03 Nov 2020	Term Loan	Long Term	1.40	ACUITE BB- Stable (Assigned)
	Term Loan	Long Term	1.39	ACUITE BB- Stable (Upgraded from ACUITE B+)
	Term Loan	Long Term	5.95	ACUITE BB- (Withdrawn)
	Working Capital Term Loan	Long Term	3.70	ACUITE BB- Stable (Assigned)
	Term Loan	Long Term	0.08	ACUITE BB- Stable (Assigned)
	Term Loan	Long Term	2.08	ACUITE BB- (Withdrawn)
	Term Loan	Long Term	4.63	ACUITE BB- Stable (Upgraded from ACUITE B+)
	Term Loan	Long Term	1.15	ACUITE BB- Stable (Upgraded from ACUITE B+)
	Cash Credit	Long Term	11.00	ACUITE BB- Stable (Upgraded from ACUITE B+)
	Proposed Bank Facility	Long Term	0.50	ACUITE BB- Stable (Upgraded from ACUITE B+)
		Long		ACUITE BB- Stable (Upgraded from ACUITE B+)
	Term Loan	Term	1.20	ACUITE B+)
	Term Loan	Long Term	3.68	ACUITE BB- Stable (Upgraded from ACUITE B+)
	Term Loan	Long Term	1.17	ACUITE BB- Stable (Assigned)
	Working Capital Demand Loan	Long Term	1.10	ACUITE BB- Stable (Assigned)
	Proposed Bank Facility	Long Term	0.10	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	1.32	ACUITE B+ (Downgraded and Issuer not co-operating*)

08 Jul 2020	Term Loan	Long Term	4.55	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	2.08	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	5.95	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	11.00	ACUITE B+ (Downgraded and Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.15	ACUITE A4+ Reaffirmed
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	14.25	ACUITE BB Stable Reaffirmed
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	16.60	ACUITE BB Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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