



**Press Release**  
**Birin Spinning Mills Limited**  
**August 01, 2024**

**Rating Downgraded and Reaffirmed**

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

**Rating Rationale**

Acuite has downgraded its long-term rating to '**ACUITE BB- ' (read as ACUITE double B minus)** from '**ACUITE BB' (read as ACUITE double B)** and reaffirmed its short-term rating to '**ACUITE A4+' (read as ACUITE A four plus)** on Rs. 31 Cr. bank facilities of Birin Spinning Mills Limited. The outlook remains '**Stable**'.

**Rationale for Rating**

The rating considers the continuous decline in the margins for the past two years ended FY2024 coupled with the decline in the financial risk profile and liquidity. Although the revenues of the Company have improved due to better volume sales of cotton yarn, the margins indicated a continuous decline due to decreased price realization.

Furthermore, the capital structure has weakened as reflected from marginal improvement in net worth due to low accretion to reserves and onboarding of high term loans and unsecured loans to fund the business leading to skewed gearing. As a result of declining profitability and increase in debts, the debt protection metrices have also witnessed decline. The liquidity has also stretched as reflected from mismatch between net cash accruals against debt repayments which has been met by timely infusing unsecured loans by directors in the business.

The rating is further constrained by the company's presence in a highly competitive and fragmented industry characterized by low entry barriers and cyclical demand patterns. The rating draws comfort from the long track records of management in the industry with healthy relationships with its existing customers and suppliers.

**About the Company**

Incorporated in the year 2005, Birin Spinning Mills Limited is engaged in manufacturing and sale of cotton yarn. Company is located at Coimbatore, Tamil Nadu, BSML was initially established as a partnership firm in 2002 and later reconstituted to limited company in 2005. Directors of the company are Mr. Doraiswamy Rangaswamy, Mr. Avanashilingam, Ms. Rupa Popat, Mr. Rangaswamy Muthu Venkatesh, Mr. Avinashi Lingam Mathan, Mr. Avinashi Lingam Mathan, Mr. Anil J Popat, Mr. Chinnaappagounder Thirumurthy and Mr. Kuppana Gounder Thangavelu.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

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

## Key Rating Drivers

### Strengths

#### Experience of promoters in the cotton industry

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 benefit from the promoters' established presence in the textile industry.

#### Moderate Working Capital Operations

The operations of the company are moderate marked by GCA (Gross Current Asset) days at 117 days in FY24 (Prov.) as against 99 days in FY23 and 141 days in FY22. The inventory days stood at 71 days in FY24 (Prov.) as compared to 62 days in FY23 and 121 days in FY22. The company has cotton inventory for minimum of 3 months. The company operates on a continuous order basis where manufacturing and selling are integrated because there is high demand in the domestic market. Presently, it takes 7 days to produce yarn (earlier 12 days) due to continuous modernisation of machineries improving the operating efficiencies. The debtor days stood at 43 days in FY24 (Prov.) as against 26 days in FY23 and 15 days in FY22. The credit terms with customers are minimum of 7 days and maximum of 30 days. The creditor days stood nil in FY24 (Prov.) as against 8 days in FY23 and 4 days in FY22. Acuite believes that the working capital cycle will continue to remain in the similar levels over the medium term.

### Weaknesses

#### Scale of Operations- Decline in margins

BSML has reported an operating income of Rs.144.10 Cr. in FY24 (Prov.) as against Rs.121.18 Cr. in FY23 and Rs.92 Cr. in FY22. The top line has experienced a modest increase driven by strong market demand which resulted in higher sales volume. Despite the prices of cotton and yarn being relatively stable with minimum fluctuations between FY24 (Prov.) and FY23.

The EBITDA margin stood 7.68 percent in FY24 (Prov.) as compared to 9.09 percent in FY23 and 12.20 percent in FY22. The decrease in margin was due to relatively higher decline in the price of yarn vis-a-vis decline in price of cotton. The PAT margin stood at 0.09 percent in FY24 (Prov.) as against 1.36 percent in FY23 and 4.08 percent in FY22. The PAT margin has experienced decline primarily attributable to high interest costs incurred on term loans taken for various types of machineries, vehicles and cotton. Acuite believes that the scale of operations will slightly improve over the medium term.

#### Below average Financial Risk Profile

The below average financial risk profile is marked by stagnant net worth, increase in gearing and decline in debt protection metrics. The tangible net worth stood at Rs.13.87 Cr. in FY24 (Prov.) as against Rs.13.73 Cr. in FY23 and Rs.12.08 Cr. in FY22 due to low accretion of reserves. The gearing stood high at 5.33 times in FY24 (Prov.) as against 4.04 times in FY23 and 3.83 times in FY22. The company's capital structure is characterized by high gearing due to large term loans taken for purchase of machinery, vehicles and procuring cotton in bulk at lower prices. The interest coverage ratio stood at 1.60 times in FY24 (Prov.) as against 2.55 times in FY23 and 3.17 times in FY22. Interest cost is high due to term loans taken for various types of machineries, vehicles and cotton. The debt service coverage ratio stood at 0.88 times in FY24 (Prov.) as against 1.14 times in FY23 and 1.30 times in FY22. Acuite believes the financial risk profile is expected to improve marginally over the medium term due to term loan repayments and absence of any new term loan expected and slightly expected improved margins. Any debt funded capex plans will remain a key monitorable.

### Rating Sensitivities

- Improvement in the revenues while improving the margins
- Improvement in the capital structure

- Any debt funded capex plans
- Inability to repay debts on time

### Liquidity Position

#### Stretched

The company has stretched liquidity marked by net cash accruals of Rs.4.00 Cr. in FY2024 as against Rs.5.53 Cr. long term debt obligations over the same period. The company has financial flexibility to bring in funds in the form of unsecured loans for repayment of long-term debt obligations. The working capital cycle of the company is moderately marked by GCA (Gross Current Asset) of 117 days in FY24 (Prov.) as against 99 days in FY23 and 141 days in FY22. The cash and bank balance stood at Rs. 1.29 Cr. in FY2024 (Prov.) as compared to Rs. 0.31 Cr. in FY2023 and Rs.0.24 Cr. in FY2022. However, the current ratio stood comfortable at 1.56 times in FY24 compared to 1.04 times in FY23 and 1.20 times in FY22. Moreover, the fund-based limit was utilized at 76.43 per cent and non-fund-based limit was utilized at 100 percent for the twelve-months ended June 2024. Acuite believes that the company's liquidity will improve over the medium term.

#### Outlook: Stable

Acuite 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 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	144.10	121.18
PAT	Rs. Cr.	0.14	1.65
PAT Margin	(%)	0.09	1.36
Total Debt/Tangible Net Worth	Times	5.33	4.04
PBDIT/Interest	Times	1.60	2.55

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

Not Applicable

### 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, Acuite 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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 May 2023	Bank Guarantee (BLR)	Short Term	0.15	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	14.25	ACUITE BB   Stable (Reaffirmed)
	Term Loan	Long Term	16.60	ACUITE BB   Stable (Reaffirmed)
27 May 2022	Cash Credit	Long Term	10.41	ACUITE BB   Stable (Upgraded from ACUITE BB-)
	Bank Guarantee (BLR)	Short Term	0.15	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	16.60	ACUITE BB   Stable (Upgraded from ACUITE BB-)
	Proposed Long Term Bank Facility	Long Term	3.84	ACUITE BB   Stable (Upgraded from ACUITE BB-)
12 Jan 2022	Cash Credit	Long Term	11.00	ACUITE BB- (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	3.68	ACUITE BB- (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	1.15	ACUITE BB- (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	0.08	ACUITE BB- (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	1.40	ACUITE BB- (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	1.17	ACUITE BB- (Reaffirmed & Issuer not co-operating*)
	Working Capital Demand Loan (WC DL)	Long Term	1.10	ACUITE BB- (Reaffirmed & Issuer not co-operating*)
	Working Capital Demand Loan (WC DL)	Long Term	3.70	ACUITE BB- (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	1.20	ACUITE BB- (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	4.63	ACUITE BB- (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	1.39	ACUITE BB- (Reaffirmed & Issuer not co-operating*)
	Proposed Long Term Bank Facility	Long Term	0.50	ACUITE BB- (Reaffirmed & 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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.15	ACUITE A4+   Reaffirmed
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	24.00	ACUITE BB-   Stable   Downgraded ( from ACUITE BB )
Canara Bank	Not avl. / Not appl.	Term Loan	24 Jun 2021	Not avl. / Not appl.	02 May 2029	Simple	5.26	ACUITE BB-   Stable   Downgraded ( from ACUITE BB )
Canara Bank	Not avl. / Not appl.	Term Loan	24 May 2023	Not avl. / Not appl.	24 May 2027	Simple	0.22	ACUITE BB-   Stable   Downgraded ( from ACUITE BB )
Canara Bank	Not avl. / Not appl.	Term Loan	26 Mar 2019	Not avl. / Not appl.	27 Jan 2026	Simple	0.02	ACUITE BB-   Stable   Downgraded ( from ACUITE BB )
Canara Bank	Not avl. / Not appl.	Term Loan	02 Jun 2018	Not avl. / Not appl.	02 Jun 2026	Simple	1.35	ACUITE BB-   Stable   Downgraded ( from ACUITE BB )

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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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