

Press Release

BIRLI SPINNING MILL PRIVATE LIMITED

November 14, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 64.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 64.00 crore bank facilities of BIRLI SPINNING MILL PRIVATE LIMITED. The outlook is '**Stable**'.

Birli Spinning Mill Private Limited (BSMPL) was incorporated on 07 April 2015 by Directors, Mr. Sagayaraj, Mr. Nachimuthu Kandaswami and Mr. Sadasivam Jagadesan. The company is engaged in the manufacturing of cotton yarn at Kangeyam, Coimbatore since July 2016. The manufacturing capacity stands at 2511000 kgs of yarn per annum.

Key Rating Drivers

Strengths

- **Experienced management**

The Directors, Mr. Sagayaraj, Mr. Nachimuthu Kandaswami and Mr. Sadasivam Jagadesan have more than two decades of experience in the textile industry.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by healthy net worth of Rs.18.23 crore as on 31 March, 2017 (Provisional) as against Rs. 9.96 crore as on 31 March, 2016. The gearing stood at 2.02 times as on 31 March, 2017 (Provisional) as against 1.08 times a year earlier. The total debt of Rs. 36.91 crore in FY2017 consists of term loan of Rs. 27.49 crore, unsecured loans from directors of Rs. 3.01 crore and short term debt of Rs. 4.91 crore. The ICR stood at 2.21 times in FY2017 (Provisional). The net cash accruals stood at Rs. 2.59 crore in FY2017 (Provisional). The NCA/TD stood at 0.07 times for FY2017 (Provisional).

Weaknesses

- **Nascent stage of operations**

BSMPL commenced operations in July 2016 and registered revenue of Rs.22.11 crore during FY2016-17 (Provisional). The company also faces intense competition in the cotton yarn segment which is marked by the presence of several small and large players.

- **Working capital intensive operations**

The operations are working capital intensive marked by working capital cycle days of 183 and Gross Current Asset (GCA) days of 264 in FY2016-17 (Provisional). This is majorly on account of high inventory holding period of 196 days in FY2017. The debtor days stood at 69 in FY2017. The bank limit utilisation stood at ~85.13 per cent for the last six months ended September 2017.

Analytical Approach

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

Outlook: Stable

SMERA believes that BSMPL will maintain a stable outlook over the medium term on account of the extensive experience of its promoters. The outlook may be revised to 'Positive' in case of substantial increase in profitability margins supported by healthy revenue growth or significant improvement in its capital structure owing to equity infusion by promoters. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in profitability margins or deterioration in the financial risk profile due to debt-funded capital expenditure or elongated working capital cycle.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), BSMPL reported Profit after Tax (PAT) of Rs.0.28 crore on operating income of Rs.22.11 crore. The net worth stood at Rs.18.23 crore as on March 31, 2017 (provisional) against Rs.9.96 crore a year earlier.

Any other information

Not Applicable

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	12.00	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	31-Dec-2023	42.00	SMERA B+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA A4

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ABOUT SMERA

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