



Press Release
Baba Spinners Limited (Erstwhile M R Weaving Mills Private Limited)
April 29, 2024

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	18.80	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	208.32	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	1.50	-	ACUITE A3+ Assigned
Total Outstanding Quantum (Rs. Cr)	228.62	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 208.32 Cr. bank facilities. Acuite has further assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to Rs. 18.80 Cr. bank facilities and a short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) to Rs.1.50 Cr. bank facilities of Baba Spinners Limited (Erstwhile M R Weaving Mills Private Limited) (BSL). The outlook is '**Stable**'.

Rationale for reaffirmation

The rating factors in the company's long track record of operations and established market position. The rating is supported by improved operational risk profile, of the company marked by improved revenue, which stood at Rs.162.92 Cr. in FY2023 as against Rs. 142.86 Cr. in FY2022 and improved EBITDA margin in FY23. Further, the financial risk profile of the company saw improvement in FY23. The aforementioned strength is partially offset by moderation in financial risk profile because of debt-funded capex in FY24. Further the rating factors in the successful completion of Capex however the stability in operation and optimum capacity utilization remains a key rating monitorable.

About the Company

Baba Spinners Limited (Erstwhile M R Weaving Mills Private Limited) (BSL) was incorporated in January, 1997 and is promoted by members of Agarwal family i.e. Mr. Mahesh Kumar Agarwal, Mr. Deepak Kumar Agarwal and Mr. Sharad Kumar Agarwal. BSL began by focusing on the production of several types of synthetic materials for men's clothes. However, in 2016, BSL took a step toward backward integration by taking on a project to set up a spinning plant in Bhilwara with a capacity of 7200 MT and 25900 spindles to produce synthetic yarn with counts of 8 and 60. BSL has 20 distributors and 2 agents, covers 29 states, and sells fabric under the 'Baba Collection' brand and yarn under the 'Baba Spinners' brand. Furthermore, the company has 1.75 MW solar power plant for its captive consumption to reduce power cost and ensure consistent power supply.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Baba Spinners Limited to arrive at the rating.

Key Rating Drivers

Strengths

Long standing experience of the promoters in the industry

The promoter directors of BSL are Mr. Mahesh Kumar Agarwal, Mr. Deepak Kumar Agarwal, and Mr. Sharad Kumar Agarwal. Mr. Mahesh Kumar Agarwal, who has worked in the industry for over three decades, is in charge of overall management and strategic decision-making. As a result of its longstanding presence in the textile sector and its presence in the Bhilwara textile cluster, the company has developed strong ties with its customers and suppliers, as indicated by its position in a highly competitive market. Acuité derives comfort from the long experience of the management and believes this will benefit the company going forward, resulting in steady growth in the scale of operations.

Improvement in the operating profile

Company has achieved an operating income which stood at 162.92 Crore in FY23 against 142.86 Crore in FY22. The company has shown growth in operating income by 14.04% in FY23 as compared to previous year. The reason behind increase in the topline of the company is increased price of yarn and fabric. Further, the EBITDA margins of the company increased and stood at 17.11% in FY23 as compared to 16.73% in FY22 however, the PAT margins of the company saw a minor dip and stood at 6.83% in FY23 as compared to 7.25% in FY22. The dip in PAT Margin is majorly attributed to increase in taxes to Rs. 4.33 crore in FY 23 (As company did not recognise Deferred Tax Assets in FY 23) against Rs.1.03 Cr. in 2022. The company had achieved a turnover of Rs.118 Crore till Jan 2024 and as per management discussion the company has already achieved a revenue of Rs.145 Crore in FY24. The dip in top Line in FY24 is on account of fall in average realization.

Moderate financial risk profile

The financial risk profile of the company is moderate marked by moderate net worth, moderate gearing level and comfortable debt protection metrics. The tangible net worth stood at Rs. 63.96 Cr. in FY 2023 as against Rs. 52.82 Cr. in FY 2022. The increase in the net-worth is on an account of accretion of profits to reserves. The total debt of the company which stood at Rs. 83.52 Cr. in FY 2023 consists long-term debt of Rs. 56.88 Cr, Unsecured loans of Rs. 12.63 Cr. and current maturities of long-term debt Rs. 14.01 Cr. The capital structure of the company is moderate marked by gearing (Debt to Equity) which stood at 1.31 times in FY 2023 against 0.99 times in FY 2022. Further, the coverage indicators are comfortable reflected by Interest Coverage ratio which stood at 9.23 times in FY 2023 as against 7.00 times in FY 2022 and DSCR which stood 1.79 times in FY 2023 from 1.98 times in FY 2022. The TOL/TNW ratio of the company stood at 1.44 times in FY23 against 1.07 times in FY22. Acuite believes that the financial risk profile of the company is expected to moderate in FY24 due to capex however, it will improve from FY25 onwards on account of absence of any long-term debt in near to medium term.

Weaknesses

Susceptibility of operating margins to volatility in raw material prices

Polyester, viscose and cotton are the company's main raw materials. Since these raw materials are either derivatives of crude oil or agriculture based product, their prices are highly volatile, and that they are constantly influenced by changes in crude oil prices as well as other factors such as government policies and agro climatic conditions. Acuité believes that BSL's EBITDA margins would remain susceptible to raw material price volatility and high inventory holding levels over the medium term.

Rating Sensitivities

- Growth in revenue along with improvement in profitability margins.
- Elongation of working capital cycle.
- Stability in production in the new facility along with optimum capacity utilization

Liquidity Position

Adequate

Company has adequate liquidity position. In FY 2023 company generated net cash accrual of Rs. 20.52 Cr. against maturing debt obligation of Rs. 14.01 Cr. Company's cash and bank balance stood at Rs.10.59 Cr. in FY 2023 while current ratio stood at 1.96 times. As the average limit utilization stands at 28.45% in past 06 months through January 2024, company has adequate liquidity buffer in working capital limits to fund incremental working capital requirements

Outlook: Stable

Acuité believes that the outlook on Baba Spinners Limited will remain 'Stable' over the medium term on account of the experience of the promoters and comfortable business risk profile. The outlook may be revised to 'Positive' in case the company witnesses a material improvement in its scale of operations and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenue, profitability or working capital management resulting into stretch in liquidity position and decline in financial risk profile of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	162.92	142.86
PAT	Rs. Cr.	11.13	10.36
PAT Margin	(%)	6.83	7.25
Total Debt/Tangible Net Worth	Times	1.31	0.99
PBDIT/Interest	Times	9.23	7.00

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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
31 Mar 2023	Term Loan	Long Term	3.89	ACUITE BBB- Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	9.68	ACUITE BBB- Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	7.77	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	19.42	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	123.08	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	17.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	27.48	ACUITE BBB- Stable (Reaffirmed)
05 May 2022	Cash Credit	Long Term	17.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	36.55	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	4.29	ACUITE BBB- Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	0.18	ACUITE BBB- Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	9.93	ACUITE BBB- Stable (Reaffirmed)
	Proposed Ad-hoc Limits (Fund Based)	Long Term	7.69	ACUITE BBB- Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	9.60	ACUITE BBB- Stable (Assigned)
07 Apr 2022	Cash Credit	Long Term	17.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	36.55	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	4.29	ACUITE BBB- Stable (Assigned)
	Covid Emergency Line.	Long Term	0.18	ACUITE BBB- Stable (Assigned)
	Covid Emergency Line.	Long Term	9.93	ACUITE BBB- Stable (Assigned)
	Proposed Ad-hoc Limits (Fund Based)	Long Term	7.69	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.50	ACUITE A3+ Assigned
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	34.92	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.08	ACUITE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	01 May 2022	Not avl. / Not appl.	01 May 2028	Simple	9.52	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	01 Mar 2021	Not avl. / Not appl.	01 Jan 2026	Simple	4.49	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE A3+ Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.72	ACUITE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	01 Dec 2022	Not avl. / Not appl.	01 Oct 2032	Simple	142.50	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	01 Jan 2017	Not avl. / Not appl.	01 Jul 2025	Simple	13.78	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	01 Dec 2019	Not avl. / Not appl.	01 May 2028	Simple	3.11	ACUITE BBB- 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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