



Press Release

Bansal Spinning Mills Private Limited

May 13, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	99.27	IVR BBB/ Stable (IVR Triple B; with Stable Outlook)	IVR BBB/ Stable (IVR Triple B; with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	75.19	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Total	174.46	Rupees One Hundred Seventy-Four Crore and Forty Six Lakhs Only			

Details of Facilities are in Annexure 1

Detailed Rationale

Informetrics Valuation and Rating Private Limited (IVR) has reaffirmed long term rating of IVR BBB with a Stable outlook and short-term rating of A3+ for the bank loan facilities of Bansal Spinning Mills Private Limited (BSMPL).

The rating continues to draw comfort from the established track record of operations and experienced management, easy availability of raw material, diversified geographical presence, satisfactory debt protection metrics, financial risk profile and operating profitability. However, these strengths are partially offset working capital-intensive nature of operations and susceptibility of profitability to raw material price volatility.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes BSMPL's business risk profile will be maintained over the medium term. The company performance has marginally improved in FY2023 as compared to FY2022. The industry outlook is also improving led by favourable export demand for Indian woollen yarn and fabrics in global markets.

IVR has principally relied on the standalone audited financial results of BSMPL upto 31 March 2023, 11MFY24 unaudited results and projected financials for FY2024-FY2026, and publicly available information/ clarifications provided by the company's management.



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Key Rating Sensitivities:

Upward Factors

- Substantial improvement in the scale of operations with TOI above Rs. 390 crore and profitability margins
- Improvement in debt protection metrics
- Sustenance overall gearing below 1.20x

Downward Factors

- Significant reduction in the scale of operations and profitability margins
- Deterioration in debt protection metrics and overall gearing

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Established track record of operations and experienced management:**

The company commenced its operations in 1998 and has a successful track record of more than two decades in the existing line of business. Overall activities of BSMPL are managed by three directors with Mr. Sat Pal Bansal being the Managing Director. He has experience of more than 2 decades in the wool and yarn business. He is ably supported by other two directors namely, Mr. Chintan Bansal and Ms. Isha Bansal who have effective experience in existing line of business as well as supported by qualified and well experienced management team.

- **Easy availability of raw material:**

The company has easy access to raw materials as its manufacturing plant is in Sahnewal, Ludhiana (Punjab), which is textile wool growing belt of India. Punjab is the largest producer of woollen goods. It also imports raw wool from countries like Australia, New Zealand, USA. Favourable location of the plant also enables the company to save on logistics costs.

- **Diversified geographical presence:**

The company has diversified geographical presence as their products are sold in Korea, United Kingdom, Algeria, Ireland, Italy, Portugal, Chile, Nepal, Egypt, Sri Lanka, Turkey, and PAN India. They have long term relationship with the majority of its customers.

- **Satisfactory debt protection metrics and financial risk profile:**

In terms of the debt coverage indicators, the interest service coverage ratio (ISCR) and the debt service coverage ratio (DSCR) remained at satisfactory levels at 1.81x and 1.05x respectively in FY2023. The tangible networth has marginally improved to Rs. 75.10 crore in FY2023 from Rs. 71.64 crore in FY2022. The total operating income (TOI) improved to Rs. 336.96 crore in FY2023 from Rs. 322.67 crore in FY2022. In 11MFY24, TOI stood at Rs. 332.46. As reported by the company they have closed FY2024 with TOI of Rs. ~358.63 crore.



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- **Satisfactory operating profitability margins and limited growth:**

The company's operating margins stood satisfactory and improved to 5.42% in FY2023 (FY2022: 4.69%) due to reduction in operating cost and coupled with change in raw material mix. However, due to stiff competition and increasing adoption of synthetic fibre in manufacturing in the international markets, the scope for growth in the company's revenues is limited.

Key Rating Weaknesses

- **Low profitability margins and limited growth:**

The company's profitability margins are low with operating profit margins of 4.48% in FY2022 (FY2021: 4.62%) and pat margins of 1.02% in FY2022 (FY2021: 1.02%). Due to stiff competition and increasing adoption of synthetic fibre in manufacturing in the international markets, the scope for growth in the company's revenues is limited.

- **Working capital intensive nature of operations:**

BSMPL's operations are working capital intensive in nature, supported largely by bank borrowings. The average utilisation of fund based working capital limits of the company stood high around ~84% respectively during the last 12 months ending 31st March 2024. The company has large working capital requirements which are reflected in an elongated conversion cycle of 162 days in FY2023 (FY2022: 165 days).

- **Susceptibility of profitability to raw material price volatility:**

The wool and woollen industry's profitability margins are highly correlated with fluctuations in raw wool prices. The company does not have any long-term contracts with suppliers with regards to either quantity or price. However, it has several years of relationships. The wool and woollen industry is fragmented and there is significant competition among the players in the industry due to which their bargaining power is limited. This restricts the players from fully passing on the input cost increases to customers or retaining any benefits of lower input costs. As a result, the profitability margins of the company are susceptible to the volatility in raw wool prices.

Analytical Approach: For arriving at the ratings, IVR has analysed BSMPL's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)



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[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for Assigning Rating Outlook](#)

Liquidity – Adequate

The company has an adequate liquidity position. There are long-term secured borrowings from banks, amounting to Rs. 24.66 crore, as on 31st March 2023. Against a current portion of long-term debt (CPLTD) of Rs 6.99 crore in FY2023, the company had a cash accrual of Rs. 7.79 crore in FY2023. The company projected to generate cash accruals of Rs. 10.75 crore in FY2024 against a CPLTD of Rs. 5.84 crore. With the adequate expected cash accruals against repayments, the liquidity position will remain adequate.

About the Entity

Bansal Spinning Mills Private Limited (BSMSPL) was incorporated in 1998 under the leadership of Mr. Sat Pal Bansal and Mr. Chintan Bansal. The company is engaged in the process of wool scouring, combing, dyeing, worsted spinning, woollen spinning, worsted acrylic spinning, weaving, fancy yarn, fabrics, blankets and ladies' knitwear etc. The company manufacturing unit is spread over 14 acres and is located at Ludhiana, Punjab with an installed capacity of 22,000 spindles. It is a two-star export house recognised by Government of India. It is an ISO certified company.

Financials (Standalone):

(Rs. crore)		
For the year ended as on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	322.67	336.96
EBITDA	15.12	18.27
PAT	3.29	3.47
Total Debt	105.37	101.51
Tangible Networth	71.64	75.10
EBITDA Margin (%)	4.69	5.42
PAT Margin (%)	1.02	1.03
Overall Gearing Ratio (x)	1.47	1.35

Status of non-cooperation with previous CRA: It is under ISSUER NOT COOPERATING category with Brickwork Ratings via press release dated 10th August 2023 due to non-submission of information.

Any other information: Not Applicable

Rating History for last three years:



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Sr. No.	Type of Instrument/Facility	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 th April 2024	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Fund Based	Long Term	99.27	IVR BBB/Stable (Assigned)	IVR BBB/Stable	-	-
2.	Fund Based	Short Term	22.50	IVR A3+	-	-	-
3.	Non-Fund Based	Short Term	52.69	IVR A3+	IVR A3+	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan (GECL)	-	-	Jan 2026	4.69	IVR BBB/Stable
Term Loan (GECL)	-	-	May 2026	4.58	IVR BBB/Stable
Term Loan (GECL)	-	-	Jan 2029	9.00	IVR BBB/Stable
Cash Credit	-	-	-	73.00	IVR BBB/Stable
SLC	-	-	-	8.00	IVR BBB/Stable
EPC/PCFC	-	-	-	22.50	IVR A3+
Bank Guarantee	-	-	-	8.00	IVR A3+
Letter of Credit	-	-	-	39.00	IVR A3+
CEL	-	-	-	5.69	IVR A3+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Bansal-Spinning-may24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [Complexity Level of Rated Instruments/Facilities](#).