



## Press Release

### **Bansal Spinning Mills Private Limited**

**April 24, 2023**

#### **Ratings**

<b>Instrument / Facility</b>	<b>Amount (Rs. crore)</b>	<b>Ratings</b>	<b>Rating Action</b>	<b>Complexity Indicator</b>
Long Term Bank Facilities	117.31	IVR BBB/ Stable (IVR Triple B; with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	64.69	IVR A3+ (IVR A Three Plus)	Assigned	Simple
<b>Total</b>	<b>182.00</b>	<b>Rupees One Hundred Eighty Two Crore Only</b>		

**Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

Infomerics Valuation and Rating Private Limited (IVR) has assigned 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 draws comfort from the established track record of operations and experienced management, easy availability of raw material, diversified geographical presence and satisfactory debt protection metrics and financial risk profile. However, these strengths are partially offset by low profitability margins and limited growth, 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 improved in FY2022 as compared to FY2021. 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 2022, 10MFY23 provisional results and projected financials for FY2023-FY2025, and publicly available information/ clarifications provided by the trust's management.

#### **Key Rating Sensitivities:**

##### **Upward Factors**

- Substantial improvement in the scale of operations with TOI above Rs. 380 crore and profitability margins
- Improvement in debt protection metrics
- Sustenance overall gearing below 1.20x

##### **Downward Factors**



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- 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 woolen 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 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) stood at 2.40x and 1.01x respectively in FY2022. The tangible networth has marginally improved to Rs. 71.64 crore in FY2022 from Rs. 68.35 crore in FY2021. The total operating income (TOI) improved to Rs. 322.67 crore in FY2022 from Rs. 307.93 crore in FY2021. In 10MFY23, TOI stood at Rs. 245.89. As reported by the company they have closed FY2023 with TOI of Rs. ~335.12 crore.

#### Key Rating Weaknesses



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- **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 funds based and non-fund based working capital limits of the company stood high around ~86% and ~70% respectively during the last 12 months ending 28th February 2023. The company has large working capital requirements which are reflected in an elongated conversion cycle of 165 days in FY2022 (FY2021: 154 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 trust.

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

[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. 22.50 crore, as on 31st March 2022. Against a current portion



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of long-term debt (CPLTD) of Rs 8.04 crore in FY2022, the company had a cash accrual of Rs. 8.14 crore in FY2022. The company projected to generate cash accruals of Rs. 8.31 crore in FY2023 against a CPLTD of Rs. 6.99 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 20,000 spindles. It is a two-star export house recognised by Government of India. It is an ISO certified company.

### **Financials (Standalone):**

<b>(Rs. crore)</b>		
<b>For the year ended as on</b>	<b>31-03-2021</b>	<b>31-03-2022</b>
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	307.93	322.67
EBITDA	14.23	14.44
PAT	3.16	3.29
Total Debt	95.87	105.37
Tangible Networth	68.35	71.64
EBITDA Margin (%)	4.62	4.48
PAT Margin (%)	1.02	1.02
Overall Gearing Ratio (x)	1.40	1.47

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Not Applicable

### **Rating History for last three years:**

<b>Sr.</b>	<b>Type of</b>	<b>Current Ratings (Year 2023-24)</b>	<b>Rating History for the past 3 years</b>
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No.	Instrument/Facility	Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Fund Based	Long Term	115.31	IVR BBB/Stable (Assigned)	-	-	-
2.	Fund Based-Proposed	Long Term	2.00	IVR BBB /Stable (Assigned)			
3.	Non-Fund Based	Short Term	64.69	IVR A3+ (Assigned)			

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### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit [www.infomerics.com](http://www.infomerics.com)

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loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### 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 (TL)	-	-	Dec 2023	0.36	IVR BBB/Stable
Term Loan (TL)	-	-	Mar 2024	0.51	IVR BBB/Stable
Term Loan (GECL)	-	-	Jan 2026	7.26	IVR BBB/Stable
Term Loan (GECL)	-	-	May 2026	6.68	IVR BBB/Stable
Term Loan (GECL)	-	-	Jan 2029	9.00	IVR BBB/Stable
Cash Credit	-	-	-	83.50	IVR BBB/Stable
SLC	-	-	-	8.00	IVR BBB/Stable
Bank Guarantee	-	-	-	8.00	IVR A3+
Letter of Credit	-	-	-	51.00	IVR A3+
CEL	-	-	-	5.69	IVR A3+
Proposed-CC	-	-	-	2.00	IVR BBB/Stable

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

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/Len-BansalSpinningMills-apr23.pdf>

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





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**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](#).