

## Bhilwara Spinners Limited (Revised)

January 16, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	70.00	CARE BB-; Stable	Assigned
Short Term Bank Facilities	1.90	CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Bhilwara Spinners Limited (BSL) are constrained by implementation and stabilisation risk associated with on-going debt-funded capex, vulnerability of margins to volatility in raw material prices, and presence in competitive and cyclical textile industry. Ratings, however, favourably factor in experience of promoters in similar line of business along with location advantage owing to site being set-up in textile manufacturing belt of Rajasthan.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Timely commissioning of project without any time or cost over runs and achievement of envisaged TOI and profitability.

#### Negative factors

- Any significant time or cost overrun in project implementation and commencement of operations thereof, resulting in moderation of financial risk profile.

### Analytical approach: Standalone

#### Outlook: Stable

The stable outlook reflects CARE Ratings Ltd.'s expectations that the company will benefit from the experience its promoters which will aid in completion of the project within the estimated time and cost parameters as well as realisation of Total Operating Income (TOI) as envisaged.

### Detailed description of the key rating drivers:

#### Key weaknesses

##### Implementation and stabilization risk associated with on-going debt-funded capex

BSL is implementing a greenfield project to set up manufacturing unit of finished cotton denim fabric at Bhilwara. The company has proposed to install 60 Airjet Weaving Looms with an installed capacity of ~16500 meters per day of grey fabric and 2 Dying lines with an installed capacity of processing ~53600 meters of grey fabric per day. For the balance ~37100 meters per day of grey fabric production, the company has proposed to supply dyed cotton yarn for weaving on job work basis and process it further to manufacture finished cotton denim fabric in-house. The total project cost is being funded through term loan and promoter's contribution (including net worth of existing business) in the ratio of 63:37.

As on date, around 53% of the cost has been incurred, with majority of the balance being machinery cost. The scheduled date of commencement for the operations (earlier January 1, 2024) has been revised to March 1, 2024, for weaving operations and September 1, 2024, for dyeing operations on account of a delay in procuring machinery. Timely completion of the project within the envisaged cost parameters remains a key rating monitorable.

##### Vulnerability of margins to volatility in raw material prices and presence in competitive industry

Cotton yarn and Dyes & Chemicals are the primary raw materials required for the manufacturing of denim fabric, the prices of which remain volatile. Furthermore, the competitive nature of the industry limits the pricing power of the players. As a result, profit margins are exposed to any adverse movement in the raw material prices.

#### Key strengths

##### Experienced promoters in the textile industry

The key promoters of BSL have a long-standing experience of over two decades in the business of textiles including manufacturing, marketing, and trading of various textile products. Mr. Ashok Kumar Kothari is the CEO of BSL, with more than 20 years of experience in the textile industry. He looks after the routine affairs of the company with regards to production, purchase, and other operations. His son, Anshul Kothari, has more than 10 years of experience in the textile industry, and handles the marketing and financing activities of the company. Susheela Kothari, who has been appointed to look after the general management of the company, also has over 20 years of experience in the textile industry.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### Location advantage owing to site being set-up in textile manufacturing belt of Rajasthan

BSL's denim manufacturing facility is being set up at Bhilwara, Rajasthan. Also known as the Textile City of India, Bhilwara has more than 850 manufacturing units presently. The city has emerged as India's largest manufacturer of fabrics, with the main textile product being synthetic fabric. Further, Rajasthan State Industrial Development and Investment Corporation (RIICO) has played a catalytic role in the industrial development of Rajasthan.

### Liquidity: Stretched

Liquidity of company remains stretched, with company operations not having started yet. Completion of project within envisaged time and cost is key rating monitorable.

### Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Cotton Textile](#)

[Manufacturing Companies](#)

[Project stage companies](#)

[Policy on Withdrawal of Ratings](#)

### About the company and industry

#### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Textiles	Textiles & Apparels	Other Textile Products

Bhilwara Spinners Limited (BSL) is a listed company established in June 1980. The company was initially promoted by LNJ group and was engaged in export of textile products for a period of 20 years. In the year 2010, the management of the company was taken over by Kothari family (BD group). Since then, the company is being promoted by Ashok Kumar Kothari, Anshul Kothari, and Susheela Devi Kothari, and is engaged in trading of textiles.

Currently, BSL is setting up a plant to manufacture finished cotton denim fabric at Bhilwara.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24 (UA)
Total operating income	2.68	0.97	3.44
PBILDT	-0.36	-0.31	0.19
PAT	1.41	2.61	0.81
Overall gearing (times)	0.00	0.00	1.36
Interest coverage (times)	-363.50	-29.15	7.37

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Non-fund-based - ST-Credit Exposure Limit		-	-	-	1.90	CARE A4
Term Loan-Long Term		-	-	December 2031	70.00	CARE BB-; Stable

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Term Loan-Long Term	LT	70.00	CARE BB-; Stable				
2	Non-fund-based - ST-Credit Exposure Limit	ST	1.90	CARE A4				

\*Long term/Short term.

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities:** Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Non-fund-based - ST-Credit Exposure Limit	Simple
2	Term Loan-Long Term	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

### Contact us

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### About us:

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### Disclaimer:

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