

Sri Balambika Textile Mills Private Limited

October 01, 2024

Facilities/Instruments	Amount (₹ crore)	Rating	Rating Action
Long Term Bank Facilities	39.30	CARE B; Stable	Assigned
Short Term Bank Facilities	2.70	CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Sri Balambika Textile Mills Private Limited (Sri Balambika) are constrained due to small scale of operations, weak debt coverage indicators with losses incurred in past two years, susceptibility of profitability to raw material price fluctuations and presence in highly fragmented industry. However, the ratings derive strength from extensive experience of the promoters in the segment, comfortable capital structure with funding support from promoters.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability to scale up the operations by more than Rs. 75.00 crores with profit before interest, lease rentals, depreciation and taxation (PBILDT) margin of more than 8% on a consistent basis.
- Generate sufficient accruals to improve their debt coverage indicators marked with Total Debt/Gross Cash Accruals (GCA) below 7.00x.
- Improve operating cycle to below 150 days.

Negative factors

- Any deterioration in capital structure with overall gearing above 2.00x due to any capex.
- Any further elongation in operating cycle resulting in stretch in liquidity

Analytical approach: Standalone

Outlook: Stable

The stable outlook by CARE Ratings Limited (CARE Ratings) reflects that the company is expected to sustain its operational performance in the medium term with extensive experience of the promoters in the textile industry and benefits derived from captive power consumption.

Detailed description of key rating drivers:

Key weaknesses

Small scale of operations

The company involved in manufacturing and selling of cotton yarn up to 40s count to customers across Tamil Nadu. The scale of operations remained small with total operating income of Rs. 60.00 crore in FY24 which declined from Rs. 162.22 crore in FY22 due to slowdown in yarn demand following subdued demand for the downstream textile products. The company reported net losses of Rs. 2.38 crore (PY: net loss of Rs. 8.13 crore) in FY24 due to higher overhead costs and low-capacity utilization.

Weak debt coverage indicators

The company reported cash losses in FY23. The debt coverage indicator of Sri Balambika marked by Total Debt/GCA stood moderate at 23.41x as on March 31, 2024. The interest coverage ratio stood at 1.35x in FY24 against 0.25x in FY23.

Highly fragmented and competitive business segment due to presence of numerous players

The cotton ginning and spinning industry is highly fragmented in nature with several organized and unorganized players. The profitability of spinning mills depends largely on the prices of cotton and cotton yarn which are governed by various factors such as area under cultivation, monsoon, international demand-supply situation, etc. The cotton being the major raw material of spinning mills, movement in cotton prices without parallel movement in yarn prices impact the profitability of the spinning mills. The cotton textile industry is inherently prone to the volatility in cotton and yarn prices. The PBILDT margin has been varying in the range of 6% to 10% over the past three years ended FY24.

Key strengths

Extensive experience of the promoters in the segment of operation

The company was established by Mr. M. Rathnasamy, who has over four decades of experience in the cotton yarn industry. His son, Mr. R. Thyagarajan, an MBA graduate, also provides substantial support in managing the company's daily operations.

Comfortable capital structure with funding support from the promoters

The capital structure of the company remained comfortable with overall gearing of 1.08x as on March 31, 2024. The promoters continuously supported the operations through infusion of unsecured loans in the past and the same stood at Rs. 20.55 crore as on March 31, 2024, out of which Rs. 19.80 crore is subordinated to bank borrowings and treated as quasi capital.

Liquidity: Poor

Liquidity is poor marked by lower accruals of Rs. 1.63 crore in FY24 to repayment obligations of Rs. 4.89 crore in FY24. The company avails credit period of around 30 days from suppliers and extends credit period of 45-60 days its customers. There have been instances of delays in term loan repayment obligations in the past with last delay observed in March 2024. The operating cycle was elongated to 237 days in FY24 due to higher inventory holding. The company had working capital limits of Rs. 15.00 crore and the average utilization of the same stood high at 95% for the past 12 months ended August 2024. The cash balance as on March 31, 2024, was Rs. 1.61 crores.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Cotton Textile](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Textiles	Textiles & Apparels	Other Textile Products

Sri Balambika was incorporated in 1997 by Mr. M. Rathnasamy (Managing Director) and is a closely held entity. The company having its factory in Tirupur with 28080 spindles is engaged in manufacturing of cotton yarn up to 40 counts. The company also has two windmills with combined capacity of 1.2MW for captive power.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (P)
Total operating income	162.22	65.54	60.00
PBILDT	9.95	1.22	6.15
PAT	0.69	-8.13	-2.38
Overall gearing (times)	0.92	1.15	1.08
Interest coverage (times)	2.15	0.25	1.35

A: Audited P: Provisional NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA:

CRISIL Limited (CRISIL) has conducted a review based on the best available information and has classified Sri Balambika as "non-cooperative" vide its press release dated November 28, 2023. The reason provided by Brickwork Ratings is the non-furnishing of information for monitoring of rating.

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	15.00	CARE B; Stable
Fund-based - LT-Term Loan		-	-	March 2032	24.30	CARE B; Stable
Non-fund-based - ST-Forward Contract		-	-	-	0.20	CARE A4
Non-fund-based - ST-ILC/FLC		-	-	-	2.50	CARE A4

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Cash Credit	LT	15.00	CARE B; Stable				
2	Fund-based - LT-Term Loan	LT	24.30	CARE B; Stable				
3	Non-fund-based - ST-ILC/FLC	ST	2.50	CARE A4				
4	Non-fund-based - ST-Forward Contract	ST	0.20	CARE A4				

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Forward Contract	Simple
4	Non-fund-based - ST-ILC/FLC	Simple

Annexure-5: Lender details

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

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

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