

Bannari Amman Spinning Mills Limited

March 25, 2025

Facilities	Amount (₹ crore)	Rating	Rating Action
Long-term bank facilities	260.42 (Reduced from 297.98)	CARE BBB-; Negative	Reaffirmed
Long-term/short-term bank facilities	283.00 (Reduced from 303.00)	CARE BBB-; Negative/CARE A3	Reaffirmed
Short-term bank facilities	87.00 (Reduced from 114.00)	CARE A3	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Bannari Amman Spinning Mills Limited (BASML) continue to derive strength from the established track record of the company in the cotton spinning industry, the experience of promoters and management with funding support, and the partly integrated operations with a diversified product and customer profile. Ratings also favourably consider the completion of sale of entire stake in its erstwhile subsidiary, Young Brand Apparel Private Limited (rated 'CARE BBB+; Stable/ CARE A2') as envisaged in June 2025, while the sale of its garment unit and land is expected to be completed before Q1FY25. CARE Ratings Limited (CARE Ratings) also notes the company's announcement on raising funds up to ₹50 crore through rights issue of equity shares and ₹26.2 crore through issue of warrants on preferential basis. With higher repayments coming up in next two years, the asset sale and equity infusion plans are expected to offer liquidity cushion.

However, ratings are constrained by the moderate financial performance in last two years ended FY24, though improved marginally in 9mFY25, moderate capital structure and debt protection metrics, susceptibility of profit margins to the inherent volatility associated with cotton and yarn prices, and the cyclical nature associated with the textile industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improving profit before interest, lease rentals, depreciation and taxation (PBILDT) margin, resulting in interest coverage (PBILDT/interest) above 2x on a sustained basis.
- Reduce debt levels, as envisaged, through sale of assets and improving overall gearing to below 1.2x.

Negative factors

- Sharply declining total operating income (TOI) to below ₹500 crore with drop in profitability on a sustained basis.
- Adverse impact on profitability due to volatile raw material prices.
- Significant delay in monetising assets and equity infusion plans and subsequent debt reduction from envisaged timelines.

Analytical approach: Standalone

Outlook: Negative

The outlook is negative as CARE Ratings expects the company's profitability to be moderate in the near term while the cash accruals are expected to be stretched against larger repayment obligations. The outlook will be revised to stable if the company is able to ramp-up scale of operations and generate adequate accruals and reduce debt through monetisation of assets and infusion of equity within envisaged timelines.

Detailed description of key rating drivers

Key strengths

Operational track record with diverse product range

BASML has been in operations since 1989 and belongs to one of the prominent industrial groups in South India, the Bannari Amman Group. The group has varied business interests, including sugar, distilleries, textiles, education, and automobiles among others. BASML primarily manufactures cotton yarn (including ring spun, organic, and compact yarn) and offers a diverse product range in the count range of 30s to 50s. The company also manufactures home textiles and made-ups such as flat sheet, fitted sheet, among others, and baby products.

Reputed and diverse customer profile with widespread geographic presence

BASML's yarn is sold in major consuming centres such as Tirupur, Kolkata, and Kanpur. In the domestic market, the company has over 400 customers. It also exports to China, Bangladesh, Korea, the Philippines, Sri Lanka, Tunisia, and the European markets. Exports accounted for 5.6% (PY: 4.5%) of BASML's total income for FY24. Top 10 customers contributed to 21.24% (PY: 21.16%) of the total sales in FY24.

Vast experience of promoters in the textile industry

SV Arumugam, Chairman and Managing Director, BASML, holds a Bachelors' degree in science and is a qualified chartered accountant. He has over two-and-a-half decades of experience in the textile industry, especially in planning, procurement, execution, and management.

Key weaknesses

Declined financial performance, however improved marginally in 9mFY25

BASML's TOI has declined from ₹1,095.78 crore in FY23 to ₹924.38 crore in FY24 by 15.64% y-o-y due to moderate yarn demand in both, domestic and export. The PBILDT margin remained moderate at 3.34% in FY24 against 2.19% in FY23 due to the higher overhead costs amidst lower capacity utilisation. The performance gradually improved in 9mFY25, and the company reported PBILDT margin of 6.85% on a total income of ₹663.81 crore, backed by recovery in domestic demand and lower raw material prices.

Moderate capital structure and weak debt protection metrics

The capital structure remained moderate with an overall gearing of 1.34x as on March 31, 2024, against 1.40x as on March 31, 2023. The debt coverage metrics remained weak with cash losses in FY24 and FY23. The interest coverage was below unity in FY24. In the current financial year, BASML has announced its plans of raising funds upto ₹26.20 crore through issue of warrants through preferential basis, exercisable in 18 months and also rights issue upto ₹50 crore. Monetising assets and raising of above funds on time will be a key monitorable, given the company's large repayment obligations in two to three years.

Volatile raw material prices

The group's profitability is susceptible to movements in prices of raw cotton, the key raw material for producing cotton yarn. Raw cotton prices are volatile in nature and depend on factors such as the area under production, yield, vagaries of monsoon, international demand-supply scenario, inventory carry-forward from the previous year, and export quota with the minimum support price (MSP) decided by the government. Raw cotton prices have been volatile over past few years, translating into risk of inventory losses for industry players.

Liquidity: Adequate

The liquidity is characterised as adequate, supported by demonstrated support from promoters and also through sale of assets, which would aid the large repayment obligations in the medium term amidst tightly matched accruals. The company had free cash balance of ₹7.87 crore as on March 31, 2024. BASML has an operating cycle of 130 days with an average inventory of 102 days in FY24, increased from 85 days in FY23 due to slow movements of finished goods. BASML generally offers its customers a credit period of ~50-60 days. The company also pays its creditors in ~45 days. BASML has working capital limits of ₹350 crore and the average utilisation of the same stood at 78.08% for last 12 months ended February 2025.

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](#)

[Cotton Textile](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Textiles	Textiles and apparels	Other textile products

BASML was originally incorporated in 1989 by the name 'Shiva Textile (CBT) Limited' and was renamed as BASML in 1991. The company is a part of the Coimbatore-based Bannari Amman Group of companies, which has presence in textiles, automobile dealership, sugar, distilleries, power, and education. BASML is a vertically integrated textile mill with an installed capacity of 145,440 spindles, a weaving capacity of 153 looms, a knitting capacity of 7,200 tonne per annum, and a processing capacity of

5,400 tonne per annum. The sale of yarn contributed 57% (PY: 54.0%), fabric – 27.7% (PY: 25.7%), processing – 3.3% (PY: 3.0%), and garment – 4.0% (PY: 8.7%) to the company's TOI in FY24.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9mFY25 (UA)
Total operating income	1,095.8	924.4	663.8
PBILDT	24.0	30.9	45.5
PAT	(34.8)	-26.2	35.0
Overall gearing (times)	1.40	1.34	NA
Interest coverage (times)	0.50	0.63	1.34

A: Audited; UA: Unaudited; NA: Not available. Note: These 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: Annexure-2

Detailed explanation of covenants of rated instruments/facilities: 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		-	-	-	52.00	CARE BBB-; Negative
Fund-based - LT-Term Loan		-	-	December 2028	208.42	CARE BBB-; Negative
Fund-based - LT/ ST-CC/Packing Credit		-	-	-	283.00	CARE BBB-; Negative / CARE A3
Fund-based - ST-Working Capital Limits		-	-	-	15.00	CARE A3
Non-fund-based - ST-Bank Guarantee		-	-	-	1.00	CARE A3
Non-fund-based - ST-BG/LC		-	-	-	10.00	CARE A3
Non-fund-based - ST-Forward Contract		-	-	-	1.00	CARE A3
Non-fund-based - ST-Letter of credit		-	-	-	60.00	CARE A3

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-Term Loan	LT	208.42	CARE BBB-; Negative	1)CARE BBB-; Negative (02-Apr-24)	1)CARE BBB (RWD) (15-Dec-23)	1)CARE BBB; Stable (06-Jan-23)	1)CARE BBB; Stable (24-Mar-22) 2)CARE BBB; Stable (05-Apr-21)
2	Fund-based - LT/ST-CC/Packing Credit	LT/ST	283.00	CARE BBB-; Negative / CARE A3	1)CARE BBB-; Negative / CARE A3 (02-Apr-24)	1)CARE BBB / CARE A3 (RWD) (15-Dec-23)	1)CARE BBB; Stable / CARE A3 (06-Jan-23)	1)CARE BBB; Stable / CARE A3 (24-Mar-22) 2)CARE BBB; Stable / CARE A3 (05-Apr-21)
3	Non-fund-based - ST-BG/LC	ST	10.00	CARE A3	1)CARE A3 (02-Apr-24)	1)CARE A3 (RWD) (15-Dec-23)	1)CARE A3 (06-Jan-23)	1)CARE A3 (24-Mar-22) 2)CARE A3 (05-Apr-21)
4	Non-fund-based - ST-Letter of credit	ST	60.00	CARE A3	1)CARE A3 (02-Apr-24)	1)CARE A3 (RWD) (15-Dec-23)	1)CARE A3 (06-Jan-23)	1)CARE A3 (24-Mar-22) 2)CARE A3 (05-Apr-21)
5	Non-fund-based - ST-Bank Guarantee	ST	1.00	CARE A3	1)CARE A3 (02-Apr-24)	1)CARE A3 (RWD) (15-Dec-23)	1)CARE A3 (06-Jan-23)	1)CARE A3 (24-Mar-22) 2)CARE A3 (05-Apr-21)
6	Non-fund-based - ST-Forward Contract	ST	1.00	CARE A3	1)CARE A3 (02-Apr-24)	1)CARE A3 (RWD)	1)CARE A3 (06-Jan-23)	1)CARE A3 (24-Mar-22)

						(15-Dec-23)		2)CARE A3 (05-Apr-21)
7	Fund-based - LT-Cash Credit	LT	52.00	CARE BBB-; Negative	1)CARE BBB-; Negative (02-Apr-24)	1)CARE BBB (RWD) (15-Dec-23)	1)CARE BBB; Stable (06-Jan-23)	1)CARE BBB; Stable (24-Mar-22) 2)CARE BBB; Stable (05-Apr-21)
8	Fund-based - ST-Working Capital Limits	ST	15.00	CARE A3	1)CARE A3 (02-Apr-24)	1)CARE A3 (RWD) (15-Dec-23)	1)CARE A3 (06-Jan-23)	1)CARE A3 (24-Mar-22) 2)CARE A3 (05-Apr-21)

LT: Long term; ST: Short term; LT/ST: Long term/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	Fund-based - LT/ ST-CC/Packing Credit	Simple
4	Fund-based - ST-Working Capital Limits	Simple
5	Non-fund-based - ST-Bank Guarantee	Simple
6	Non-fund-based - ST-BG/LC	Simple
7	Non-fund-based - ST-Forward Contract	Simple
8	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view 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.

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