



Press Release

Linen Art Private Limited

Oct 14th, 2022

Ratings

Instrument Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	78.00*	IVR BBB- /Stable Outlook (Pronounced as IVR Triple B Minus with Stable Outlook)	Re-affirmed and change in outlook	Simple
Total	78.00 (Seventy Eight Crores Only)			

***Includes Proposed Loan of Rs. 49.00 Crore**

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings reaffirmed & change in outlook to the long-term & short-term bank facilities of Linen Art Private Limited (“LAPL” or “the Company”) continues to derive comfort from its long track record of operation, experienced directors, locational advantage, satisfactory debt protection metrics and moderate gearing & improvement in revenue. However, rating is constrained on account of intensive competition, moderate scale of operations and profitability and working capital intensive nature of operations.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operations with improvement in profitability on a sustained basis.
- Sustenance of the capital structure.
- Manage working capital requirements efficiently with improvement in liquidity position.

Downward Factors

- Any deterioration in debt protection metrics and/or liquidity profile
- Any further significant rise in working capital intensity or unplanned capex leading to a further deterioration in the liquidity position.



Press Release

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long track record of operations under experienced promoters

The company is promoted by Mr. Sitanshu Bipin Vora and Mr. Vimal Kumar Goenka. Mr. Sitanshu Bipin Vora is the Promoter and Director of Linen Art Private Limited and has been involved into manufacturing and trading of fabrics for the past 25 years. Mr. Vimal Kumar Goenka is another promoter and director of the company and has been involved into manufacturing and trading of fabrics for the past 5 years. Long standing presence of the promoter in the industry has helped the company to build good relationships with both customers and suppliers.

Improvement in revenue scale

The scale of operations has been volatile over the last two years. Total Operating Income declined from Rs.206.38 crore in FY20 to Rs.179.64 crore in FY21. However, in FY22 (A) total operating income reflects improvement and stood at Rs 229.14 crores.

Comfortable capital structure with healthy debt protection metrics

The capital structure of the company remained comfortable over the past fiscal years. The overall gearing(adjusted) has improved and stood comfortable at 1.90x in FY22 as against 2.34x in FY21. Total indebtedness as reflected by TOL/ATNW improved to 2.58x in FY22 as against 3.89x in FY21. The debt protection metrics has improved and remained comfortable marked by interest coverage ratio to 3.52x in FY22 (2.05x in FY21). Further, debt service coverage ratio stood at 2.19x in FY22 (1.18x in FY21).

Comfortable Operating Cycle

Cash conversion cycle remains comfortable at 60 days in FY22 (PY 70 days) which reflects lower reliance on working capital debt. The company is able to fund its working capital requirement on the back of favourable market demand and lower collection period from its customers



Press Release

Locational advantage:

The manufacturing facility of the company are based in Tarapur, Maharashtra which is in close proximity to Maharashtra and Gujrat from where there is maximum demand for linen yarn. This reduces freight costs and time for the company.

Key Rating Weaknesses

- **Intensive competition:**

As the yarn manufacturing industry does not have many organized players, the competition is very high among the existing players. Most of wholesalers/retailers typically tend to be dependent on limited set of customers which leads to geographic concentration risk. Also, retail sales of international brands that have entered the Indian market in recent years, have being growing at a strong pace leading to a stiff competition with the domestic brands.

- **Profitability susceptible to fluctuations in key raw material prices**

The company's profitability is vulnerable to sharp fluctuations in raw material prices, which affects sales realizations. Since raw material is fully imported, it would also have to manage foreign exchange fluctuation risk.

Analytical Approach: Standalone

Applicable Criteria :

[Rating Methodology for Manufacturing entities](#)
[Financial Ratios & Interpretation Non- Financial Sector](#)
[Criteria for assigning rating outlook](#)

Liquidity – Adequate

The liquidity position of the company is expected to remain adequate as the company is expected to generate steady cash accruals as against its scheduled debt repayment obligation during FY23-25. The company is expected to earn Gross Cash Accruals (GCA) of Rs.28.76



Press Release

crores in FY23 as against its repayment obligation of Rs.6.61 crores. Also, the company's current ratio stands at 1.06x. However, the working capital utilization of company stood at ~95% during past 12 months ended Aug 2022.

About the Company

Linen Art Private Limited was established as a private limited company in December 2013 as a private limited company with Mr. Shitanshu Bipin Vora as the promoter. The company has a manufacturing facility in Tarapur, Maharashtra with installed capacity of 12,544 Spindles per annum. The company is currently run by Mr. Sitanshu Bipin Vora and Mr. Vimal Kumar Goenka as the directors of the company. The company is the 3rd manufacturer of linen yarn in India and first of its kind in Maharashtra. Currently the company is having a production capacity of 12,544 spindles per annum.

Financials (Standalone):

	(Rs. crore)	
For the year ended* As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	179.64	229.14
EBITDA	24.64	43.58
PAT	3.80	11.90
Total Debt	91.00	110.90
Tangible Net worth*	51.86	63.76
EBITDA Margin (%)	13.72	19.02
PAT Margin (%)	2.07	5.14
Overall Gearing Ratio (x)	1.75	1.74

**as per Infomerics standards*

Status of non-cooperation with previous CRA : Nil

Any other information: Nil

Rating History for last three years:



Press Release

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 Date: 18 th Jan, 2022	Date(s) & Rating(s) assigned in 2020-21 Date : 19 th March, 2021	Date(s) & Rating(s) assigned in 2019-20
1	Term Loan (Proposed)	Long Term	49.00	IVR BBB- /Stable Outlook (Pronounced as IVR Triple B Minus with Stable Outlook)	IVR BBB- /Negative Outlook (Pronounced as IVR Triple B Minus with Negative Outlook)	IVR BBB- /Credit watch with developing implication Outlook (Pronounced as IVR Triple B Minus with CWDI Outlook)	
2	Cash Credit	Long term	29.00	IVR BBB- /Stable Outlook (Pronounced as IVR Triple B Minus with Stable Outlook)	IVR BBB- /Negative Outlook (Pronounced as IVR Triple B Minus with Negative Outlook)	IVR BBB- /Credit watch with developing implication Outlook (Pronounced as IVR Triple B Minus with CWDI Outlook)	

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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



Press Release

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

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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
Long Term Bank Facilities – Term Loan (Proposed)				49.00	IVR BBB- /Stable Outlook (Pronounced as IVR Triple B Minus with Stable Outlook)
Long Term Bank Facilities – Cash Credit				29.00	IVR BBB- /Stable Outlook (Pronounced as IVR Triple B Minus with Stable Outlook)

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



Press Release

Annexure 3: Facility wise lender details: <https://www.infomerics.com/admin/prfiles/Lender-LAPL14-10-2022.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 www.infomerics.com

