



Press Release

Leaspin Textile LLP

March 26, 2024

Ratings

Instrument Facilities /	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	49.00 (includes proposed limit of Rs. 1.20 crore)	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Assigned	Simple
Short Term Bank Facility	2.00	IVR A3 (IVR A three)	Assigned	Simple
Total	51.00 (INR fifty-one crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Leaspin Textile LLP derives comfort from its experienced partners in the cotton yarn industry, strategic location of the plant, comfortable capital structure and moderate debt coverage indicators. These rating strengths are partially offset by relatively moderate scale of operations, highly competitive & fragmented nature of the industry, and exposure to cyclicalities, inherent risk in the textile industry.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- Sustenance of the capital structure with improvement in debt protection metrics

Downward Factors

- Decline in the operating income or profitability impacting the cash accrual
- Moderation in the capital structure with deterioration in the debt protection metrics

List of Key Rating Drivers with Detailed Description



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Key Rating Strengths

Experienced partners in the cotton yarn industry with established relationship

The partners have been associated with the company since its inception and they possess experience of nearly three decades in the cotton industry. The company is ably assisted by an experienced second line of management. Being a family-owned business, experience of the partners has helped the company establish healthy and long-standing relationship with its customers and suppliers. Also, the partners have gained experience from their previous experience in cotton yarn trading. This company has benefited from the established relationship with and supplier

Strategic location of the plant

The firm's manufacturing facility is located in Jetpur, Gujarat, which is in close proximity to the plants of various end user across the value chain of the textile industry and helps to maintaining close relationships with its customers and supplying yarns to them with minimum lead time.

Comfortable capital structure and moderate debt coverage indicators

The capital structure of the firm had remained comfortable. The promoters have been infusing funds by way of unsecured loans which are subordinated to the bank debt, which keeps the net worth (net adjusted) at more comfortable level. The gearing of the company stood comfortable at 0.82x times as on March 31, 2023 as against 1.18x as on March 31, 2022. Further, the Total outside Liabilities/Tangible Net Worth (TOL/TNW) also remain comfortable at 0.84x as on March 31, 2023 as against 1.22x as on March 31, 2022. Debt protection metrics remained moderate with decline in interest coverage to 2.79x as on March 31, 2023 from 4.43x as on March 31, 2022.

Key Rating Weaknesses

Relatively moderate scale of operations

Total Operating Income witnessed a significant increase from Rs.156.06 crore in FY21 to Rs.275.78 crore in FY22 driven by primarily by higher realisations of cotton yarn. Volume of yarn sold also increased substantially in FY22 compared to FY21. While in FY23 the total operating income has been declined to Rs.172.55 crore from FY22 because of the shortage



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of raw cotton and downturn in the industry primarily due to inflationary pressures and uncompetitive prices. However, the firm have achieved Rs.223.03 crore in 11MFY2024, this indicates that the company is on track to surpass its projected revenue of FY24. The steady increase in the topline and profits will be a key rating determinant going forward.

Highly competitive & fragmented nature of the industry

The spectrum of the yarn industry in which the Company operates is highly fragmented and competitive due to the presence of numerous players in India owing to relatively low entry barriers. Most players in the industry thus do not have pricing power and are exposed to the prices dictated by the large-scale spinners in India. On the raw material side, the prices of cotton are determined by the demand and supply situation and minimum support prices announced by the Government.

Exposure to cyclicity, inherent risk in the textile industry

The textile industry is highly cyclical. Cotton and yarn prices fluctuate based on macro-economic factors, including, amongst others, demand-supply scenarios, monsoons, etc. Adverse volatility in yarn and/or cotton prices will have an adverse effect on the Company's performance.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for assigning rating outlook.](#)

Liquidity–Adequate

The firm has earned a gross cash accrual of ~Rs.9.83 crore in FY23. Further the company is expected to earn a gross cash accrual in the range of ~Rs.15-21 crore as against its debt repayment obligations around ~Rs.13-14 crore per year during FY24-26. The cash and bank balances of the company stood at Rs.0.05 Cr as on March 31, 2023. The Current Ratio stood comfortable at 1.17x as on March 31, 2023, However, the fund-based limit utilisation remains 33% during the last 12 months ended Feb 2023, indicating liquidity buffer.



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About the Firm

Leaspin Textile LLP(LTL) is a Limited Liability Partnership firm established on October 29, 2015. The company specializes in the manufacturing of finer counts (30s & 40s) cotton yarn through an integrated unit comprising spinning, ginning, and pressing in Jetpur, Gujarat. The unit has a facility of 27,360 spindles. The partners of the firm include Mr. Tushar Patel, Mr. Jayanti Patel, Mr. Jayesh Patel, Mr. Manaharlal Patel, Mr. Sandip Patel, and their respective family members.

Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31.03.2022	31.03.2023
	Audited	Audited
Total Income	275.78	172.55
EBIDTA	28.83	17.31
PAT	12.87	3.39
Total Debt	69.50	50.66
Tangible Net Worth	59.08	54.66
Adjusted Tangible Net Worth	59.08	62.12
EBDITA Margin (%)	10.45	10.03
PAT Margin (%)	4.63	1.96
Adj. Overall Gearing Ratio (x)	1.18	0.82

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	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.	Term Loan	Long Term	30.30	IVR BBB-/ Stable	-	-	-
2.	GECL	Long Term	2.50	IVR BBB-/ Stable	-	-	-



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	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
3.	Cash Credit	Long Term	15.00	IVR BBB-/ Stable	-	-	-
4.	Proposed Term Loan	Long Term	1.20	IVR BBB-/ Stable	-	-	-
5.	Bank Guarantee	Short Term	2.00	IVR A3	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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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
Term Loan I	-	-	September, 2028	17.70	IVR BBB-/ Stable
Term Loan II	-	-	December, 2029	8.17	IVR BBB-/ Stable
Term Loan III	-	-	December, 2029	4.43	IVR BBB-/ Stable
GECL	-	-	March, 2026	2.50	IVR BBB-/ Stable
Cash Credit	-	-	-	15.00	IVR BBB-/ Stable
Proposed Term Loan	-	-	-	1.20	IVR BBB-/ Stable
Bank Guarantee	-	-	-	2.00	IVR A3

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Leaspin-mar24.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 www.infomerics.com.

