



Press Release

Leaspin Textile LLP

August 09, 2024

Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	61.38 (enhanced from Rs.49.00) (Includes proposed limit of Rs. 3.80 crore)	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Rating reaffirmed and assigned	Simple
Short Term Bank Facilities	2.00	IVR A3 (IVR A three)	IVR A3 (IVR A three)	Rating reaffirmed	Simple
Total	63.38 (INR sixty-three crore and thirty-eight lakhs only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3

Detailed Rationale

The reaffirmation of the ratings assigned to the existing bank facilities, and the ratings assigned to the enhanced long term bank facilities of Leaspin Textile LLP (LTL) 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 cyclical risk, 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



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List of Key Rating Drivers with Detailed Description

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 company includes subordinated unsecured loans from the promoters aggregating to Rs.7.46 crore as on March 31, 2024. Taking the same as quasi equity the adjusted net worth of the company stood at Rs.78.36 crore as on March 31, 2024. The leverage ratios of the company continued to remain comfortable marked by the long-term debt equity ratio and the overall gearing ratio at 0.89x and 0.99x respectively as on March 31, 2024 improved from 1.37x and 1.50x as on March 31, 2023 respectively due to increase in the promoter's contribution as quasi equity and accretion of profit to the network. TOL/TNW remained comfortable and improved to 1.02x as on March 31, 2024 from 1.53x as on March 31, 2023. Debt protection metrics marked by interest coverage ratio stood comfortable at 4.18 in FY24 (refers to period April 1st, 2023, to Mar 31, 2024) as compared to 2.79 in FY23 (refers to period April 1st, 2022, to Mar 31, 2023) due to increase in operating profit. Total debt/ EBITDA improved to 2.17x in FY24 as compared to 2.93x in FY23. Further, DSCR remained satisfactory at 1.00x in FY24.



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Key Rating Weaknesses

Relatively moderate scale of operations

The revenue of the company witnessed a y-o-y growth of 46% to Rs.252.20 Cr in FY2024 as compared to Rs.172.55 in FY23 driven by higher realisations of cotton yarn and volume of yarn sold. 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 of assigning rating outlook](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Default recognition policy](#)



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Liquidity – Adequate

The firm has earned a gross cash accrual of ~Rs.12.96 crore in FY24. Further the company is expected to earn a gross cash accrual in the range of ~Rs.15-19 crore as against its debt repayment obligations around ~Rs.13-14 crore per year during FY25-27. The cash and bank balances of the company stood at Rs.0.08 Cr as on March 31, 2024. The Current Ratio stood comfortable at 1.92x as on March 31, 2024, However, the fund-based limit utilisation remains 33% during the last 12 months ended Feb 2023, indicating liquidity buffer.

About the Company

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):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	172.55	252.20
EBITDA	17.31	20.57
PAT	3.39	6.31
Total Debt	50.66	44.72
Tangible Net Worth	62.12	78.36
EBITDA Margin (%)	10.03	8.16
PAT Margin (%)	1.96	2.50
Overall Gearing Ratio (x)	0.82	0.57
Interest Coverage (x)	2.79	4.18

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/ Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					March 26, 2024	-	-
1.	Term Loan	Long Term	40.83	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-
2.	GECL	Long Term	1.75	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-
3.	Cash Credit	Long Term	15.00	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-
4.	Proposed Term Loan	Long Term	3.80	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-
5.	Bank Guarantee	Short Term	2.00	IVR A3	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.



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Annexure 1: Instrument/Facility Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan I	-	-	-	September, 2028	14.39	IVR BBB-/ Stable
Term Loan II	-	-	-	December, 2029	7.36	IVR BBB-/ Stable
Term Loan III	-	-	-	December, 2029	4.17	IVR BBB-/ Stable
Term Loan IV	-	-	-	May, 2031	14.91	IVR BBB-/ Stable
GECL	-	-	-	March, 2026	1.75	IVR BBB-/ Stable
Cash Credit	-	-	-	-	15.00	IVR BBB-/ Stable
Proposed Term Loan	-	-	-	-	3.80	IVR BBB-/ Stable
Bank Guarantee	-	-	-	-	2.00	IVR A3

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Leaspin-aug24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable



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Annexure 4: List of companies considered for consolidated/Combined analysis: 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.

