



## Press Release

### Linen Art Private Limited

January 18, 2022

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Current rating	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	15.00	IVR BBB-/Negative (IVR Triple B Minus with Negative outlook)	IVR BBB-/Credit watch with Developing Implications (IVR Triple B Minus with Credit Watch with Developing Implications)	Reaffirmed and revision of outlook	Simple
Long Term Bank Facilities (proposed)	49.00	IVR BBB-/Negative (IVR Triple B Minus with Negative outlook)	IVR BBB-/Credit watch with Developing Implications (IVR Triple B Minus with Credit Watch with Developing Implications)	Reaffirmed and revision of outlook	Simple
Long Term /Short Term Bank Facilities	16.00	IVR BBB-/Negative (IVR Triple B Minus with Negative outlook) and IVR A3 (IVR Single A Three)	IVR BBB-/Credit watch with Developing Implications (IVR Triple B Minus with Credit Watch with Developing Implications)	Reaffirmed and revision of outlook	Simple
<b>Total</b>	<b>80.00 (Eighty crores only)</b>				

**Details of Facilities are in Annexure 1**

#### Detailed Rationale

The ratings assigned to bank facilities of Linen Art Private Limited factors experienced directors, locational advantage, satisfactory debt protection metrics and moderate gearing. However, rating is constrained on account of intensive competition, moderate scale of operations and profitability and working capital intensive nature of operations. The negative outlook is assigned on account of deterioration in financial performance of the company.

#### Key Rating Sensitivities:

##### Upward Factors



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- Substantial & sustained improvement in the company's revenue and profitability along with improvement in the debt protection indicators

### **Downward Factors**

- Any decline in scale of operations, profitability and/or liquidity profile.
- Significant deterioration in debt protection parameters

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced directors:**

The company is managed by Mr. Sitanshu Bipin Vora and Mr. Vimal Kumar Goenka, who have an experience of about 25 years in the textile industry. Experience of the directors benefits the company resulting in total operating income of Rs. 179.64 Cr. during FY21.

##### **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.

##### **Satisfactory debt protection metrics and moderate gearing:**

The company has satisfactory debt protection metrics as reflected in interest coverage of 2.05 times and DSCR of 1.29 times during FY21. However, long term debt to equity ratio, overall gearing ratio, and TOL/TNW are moderate with 1.06 times, 1.55 times, and 2.87 times respectively in FY21.

#### **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



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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 been growing at a strong pace leading to a stiff competition with the domestic brands.

### **Moderate scale of operations and profitability:**

During FY2021, although the TOI of the firm has declined from Rs. 206.14 crores in FY20 to Rs. 179.64 Cr as an impact of nationwide lockdown. The EBITDA margin has shown improvement from 8.19% in FY20 to 13.72% in FY21 on account of reduction in manufacturing, admin and other overhead expenses. However, the PAT margins have declined from 4.02% in FY20 to 2.07% in FY21 due to increase in interest expense.

### **Working capital intensity:**

The average inventory days in case of apparel industries is on higher side as compared to others, in case of Linen Yarn Private Limited average inventory days has increased to 100 days in FY21 from 49 days in FY20. The average operating cycle of the company stood high 70 days in FY21, due to high collection period and inventory days.

### **Analytical Approach:** Standalone

### **Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non- Financial Sector)

### **Liquidity –Adequate**

The liquidity is considered to be adequate as reflected from its gross cash accruals of Rs. 15.75 crores in FY21 as against maturing debt obligations of Rs. 6.84 crores falling due over the next 12 months.

### **About the Company**

Linen Art Private Limited was established as a private limited company in December 2013 with Mr. Shitanshu Bipin Vora as the promoter. The company has a manufacturing facility in Tarapur, Maharashtra with installed capacity of 1500 tonnes per annum. The company is



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currently run by Mr. Shitanshu 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. Initially the firm commenced its operation with 780 tonnes of linen yarn per annum by installing 6144 spindles at Tarapur, Maharashtra. Due to huge demand of Linen Yarn the company has further enhanced the capacity by 5888 spindles or 660 tons per annum. Currently the company is having a production capacity of 1,500 tons per annum.

### Financials (Standalone):

For the year ended*	31-03-2020	31-03-2021
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	206.38	179.64
EBITDA	16.90	24.64
PAT	8.95	3.80
Total Debt	139.23	80.42
Tangible Net worth (Adjusted)	72.37	55.77
EBITDA Margin (%)	8.19	13.72
PAT Margin (%)	4.02	2.07
Overall Gearing Ratio (x) (Adjusted)	1.45	1.37

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** None

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating (January 18, 2022)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term loan	Long term	15.00	IVR BBB-/Negative	IVR BBB-/Credit watch with Developing Implications	-	-
2	Term loan (proposed)	Long term	49.00	IVR BBB-/Negative	IVR BBB-/Credit	-	-



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					watch with Developing Implications		
2	Cash credit	Long Term	16.00	IVR BBB-/Negative	IVR BBB-/Credit watch with Developing Implications and IVR A3	-	-

*\*Letter of credit of Rs. 16.00 crore is sub-limit under Cash Credit facility*

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### 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	-	-	June, 2026	15.00	IVR BBB-/Negative
Term loan (proposed)	-	-	June, 2026	49.00	IVR BBB-/Negative
Cash credit	-	-	-	16.00	IVR BBB-/Negative

*\*Letter of credit of Rs. 16.00 crore is sub-limit under Cash Credit facility*

**Annexure 2: List of companies considered for consolidated analysis: Not applicable**

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/linen-art-lenders-jan22.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](http://www.infomerics.com).