



Press Release

Linen Art Private Limited

March 19, 2021

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	15.00	IVR BBB-/Credit watch with Developing Implications (IVR Triple B Minus with Credit Watch with Developing Implications outlook)	Assigned
Long Term Bank Facilities (proposed)	49.00	IVR BBB-/Credit watch with Developing Implications (IVR Triple B Minus with Credit Watch with Developing Implications outlook)	Assigned
Long Term /Short Term Bank Facilities	16.00	IVR BBB-/Credit watch with Developing Implications (IVR Triple B Minus with Credit Watch with Developing Implications outlook) and IVR A3 (IVR Single A Three)	Assigned
Total	80.00 (Eighty crores only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to bank facilities of Linen Art Private Limited factors experienced directors, improving financial risk profile, locational advantage, comfortable debt protection metrics and moderate gearing. However, rating is constrained on account of intensive competition and working capital intensive nature of operations.

Key Rating Sensitivities:

Upward Factors

- 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



Press Release

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 increase in turnover to Rs. 206.14 Cr. during FY 20.

- **Overall improving financial risk profile:**

During FY2020 the firm achieved revenues of Rs. 206.14 crores as against Rs. 83.17 crores in FY2019. The EBITDA and PAT margins improved to 14.02% and 3.74% respectively. The Interest Coverage ratio stood comfortable at 5.55x.

- **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.

- **Comfortable debt protection metrics and moderate gearing:**

The company has comfortable debt protection metrics as reflected in interest coverage of 5.55 times and DSCR of 2.20 times during FY 20. However long term debt to equity ratio, overall gearing ratio, and TOL/TNW are moderate on account of high unsecured loans at 1.28 times, 1.41 times, and 2.28 times respectively.

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



Press Release

- **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 stands at 52 days in FY20 and 17 days in FY19. The average operating cycle of the company stood high 29 days in FY20 and 16 days in FY19, 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. 20.74 crores in FY2020 as against maturing debt obligations of Rs. 5.53 crores falling due over the next 12 months. The maximum monthly working capital utilisation stood at 76.02% for the past 12 months period till January 2021.

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 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.



Press Release

Financials (Standalone):

For the year ended / As on	31-03-2018	31-03-2019	31-03-2020*
	Aud.	Aud.	Aud.
Total Operating Income	23.86	83.17	206.14
EBITDA	7.13	11.31	28.91
PAT	0.78	3.07	7.74
Total Debt	36.71	51.76	140.90
Adjusted Tangible Net worth	17.42	47.33	75.43
<u>Ratios</u>			
EBIDTA Margin	29.88	13.59	14.02
PAT Margin	3.21	3.66	3.74
Overall Gearing ratio	2.04	0.80	1.41

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: None



Press Release

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	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term loan	Long term	15.00	IVR BBB-/Credit watch with Developing Implications	-	-	-
2	Term loan (proposed)	Long term	49.00	IVR BBB-/Credit watch with Developing Implications	-	-	-
2	Cash credit	Long Term	16.00	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*

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note there is available at www.infomerics.com.

Name and Contact Details of the Rating Analyst:

Name: Sushma Rane	Name: Prakash Kabra
Tel: (022) 62396023	Tel: (022) 62396023
Email: Sushma.rane@infomerics.com	Email: Prakash.kabra@infomerics.com



Press Release

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.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most 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-/ Credit watch with developing implications
Term loan (proposed)	-	-	June, 2026	49.00	IVR BBB-/ Credit watch with developing implications
Cash credit	-	-	-	16.00	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*