

Laxminarayan Spinners(I) Private Limited
 March 01,2021

Rating

Facilities / Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	31.90	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	2.40	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Facilities	34.30 (Rs. Thirty-Four Crore and Thirty Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Laxminarayan Spinners(I) Private Limited to monitor the rating vide e-mail communications dated September 04,2020, October 28,2020, November 04,2020, December 21,2020, January 04,2021, and numerous phone calls. However, despite our repeated requests the company has not provided the requisite information for monitoring the rating. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on LSPL bank facilities will now be **CARE B+; Stable/CARE A4; ISSUER NOT COOPERATING***

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The revision in the rating assigned to the bank facilities of LSPL takes into account no due-diligence conducted with auditor and non-availability of information due to non-cooperation by LSPL with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. The ratings further continues to remain constrained by its short track record of operations coupled with its modest scale of operations, moderate profitability margin, leverage capital structure and weak debt coverage indicators. The ratings also factors in stretched liquidity position, susceptibility to adverse changes in government regulations and climatic condition and presence in seasonal and fragmented industry. The ratings, however, draw strength from the satisfactory experience of promoters and location advantage emanating from proximity to raw material.

Detailed description of the key rating drivers

At the time of last rating on December 18,2019 the following were the rating strengths and weaknesses:

Detailed description of the key rating drivers**Key Rating Weaknesses****Short track record of coupled with modest scale of operations and moderate profitability margin:**

LSPL was established in the year 2015 and its commercial operations commenced from FY18. Hence, it has a short track record of operations exposing the company to stabilization risk. Despite the growth, scale of operations remained modest with total operating income of Rs.74.03 crore in FY19 (refers to a period from April 1 to March 31) and tangible net worth base of Rs.16.55 crore as on March 31, 2019. The modest scale of operations limits the financial flexibility of the company in times of stress depriving the company from the benefits of scale. The PBILDT margin of LSPL remained moderate and stood at 12.02% in FY19. Further, the company has registered a meagre profit of Rs.0.03 crore during FY19 as compared to a net loss in the previous years.

Leveraged capital structure and weak debt coverage indicators: The capital structure of the company continues to remain leveraged as reflected by debt to equity and overall gearing ratio of 1.83x and 2.27x respectively as on March 31, 2019 (Audited). The moderate profitability and high gearing levels resulted in weak debt coverage indicators as reflected by interest coverage ratio of 1.58x.

¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

Susceptibility to adverse changes in government regulations and climatic condition: The price of raw cotton is highly volatile in nature owing to its seasonal nature and the price is regulated through function of MSP by the government along with export of cotton. Hence, any adverse change in government policy and climatic condition may negatively impact the prices of raw cotton in domestic market and could result in lower realizations and profit for LSPL.

Presence in seasonal and fragmented industry: Operation of cotton business is highly seasonal in nature, as the sowing season is from March to July and the harvesting season is spread from November to February. Furthermore, the cotton industry is highly fragmented with large number (approximately 80%) of players operating in the unorganized sector. Hence, LSPL's faces stiff competition from other players operating in the same industry, which further result in its low bargaining power against its customers.

Key Rating Strengths

Experience promoters: The promoters have an average experience of more than three decades in textile and cotton ginning industry. Being in the industry for so long has helped the promoters in gaining adequate acumen about the business which might aid the company in smooth operations.

Locational advantage emanating from proximity to raw material: The manufacturing facility of LSPL is located at Solapur region of Maharashtra. Maharashtra produces around 21% of total cotton production of India. The presence of LSPL in cotton producing region fetches a location advantage of lower logistics expenditure. Moreover, the largest spinning mills in India are located in solapur district.

Liquidity: Stretched

Liquidity is marked by tightly matched accruals to repayment obligations, highly utilized bank limits which stood at 95% during last twelve months ended in January 31, 2021 and modest cash balance of Rs.1.56 crore as on March 31, 2019.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE Methodology for Short term Instruments](#)

[Rating Methodology for Cotton Textile Manufacturing](#)

[Financial ratios \(Non-Financial Sector\)](#)

About the Company

LSPL was established in January 2015 and is engaged in manufacturing of cotton yarn. The commercial operation of the company commenced in April 2017. The manufacturing facility is located at Solapur with an installed capacity of 13000 Spindles per Day

Financials

Brief Financials (Rs. crore)	31-03-2018	31-03-2019
	A	A
Total operating income	52.03	74.03
PBILDT	6.41	8.90
PAT	-0.85	0.03
Overall gearing (times)	63.73	58.02
Interest coverage (times)	1.33	1.58

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	March 2027	24.50	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	7.40	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees	-	-	-	2.40	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	24.50	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (18-Dec-19)	1)CARE BB-; Stable (13-Feb-19)	-
2.	Fund-based - LT-Cash Credit	LT	7.40	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (18-Dec-19)	1)CARE BB-; Stable (13-Feb-19)	-
3.	Non-fund-based - ST-Bank Guarantees	ST	2.40	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (18-Dec-19)	1)CARE A4 (13-Feb-19)	-

*Issuer did not cooperate; Based on best available information

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Non-fund-based - ST-Bank Guarantees	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact us

Media Contact

Name: Mr. Mradul Mishra
Contact no.: +91-22-6837 4424
Email ID: mradul.mishra@careratings.com

Analyst Contact

Group Head Name: Ms. Prateechee Misra
Group Head Contact no.: 020 - 40009026
Group Head Email ID: prateechee.misra@careratings.com

Business Development Contact

Name: Mr. Aakash Jain
Contact no. : 020 - 40009090
Email ID: aakash.jain@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is 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 CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.