

May 22, 2025

Le Shark Global LLP: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term/Short term- PCL/PCFC	18.00	18.00	[ICRA]A-(Stable)/[ICRA]A2+; reaffirmed
Long term/Short term- PSCFC/FDBN/FDBD/FDBP	(18.00) ^	(18.00) ^	[ICRA]A-(Stable)/[ICRA]A2+; reaffirmed
Long term/Short term- Bank Guarantee	0.50	0.50	[ICRA]A-(Stable)/[ICRA]A2+; reaffirmed
Total	18.50	18.50	

*Instrument details are provided in Annexure I; ^ Sublimit

Rationale

The ratings reaffirmation on the bank lines of Le Shark Global LLP (Le Shark) considers an expected modest improvement in the operational and financial performances over the medium term, supported by extensive experience of the partners in the textile industry and the wide range of garment offerings in the women's and children's wear categories, which are compliant with the European standards. The ratings also consider its long association with multi-national clothing retail house, Hennes & Mauritz (H&M). While there has been a 7% (annualised) dip in revenues on a YoY basis to Rs. 244 crore in 9M FY2025 due to decline in orders processed for its existing brands, the entity has added two new brands to its portfolio, which are likely to support its revenue growth over the medium term. While its margins contracted by 280 bps to 17.4% in 9M FY2025 due to discounts offered because of stiff competition, the same remained within healthy levels. The ratings continue to draw comfort from the firm's favourable financial risk profile, marked by comfortable capital structure, strong debt protection metrics and comfortable return indicators due to a relatively asset-light model of operations. Besides, operationalisation of the Free Trade Agreement (FTA) with the UK is also likely to aid revenue growth of Le Shark over the medium term.

The ratings, however, remain constrained by the firm's high customer concentration risk, with around 61% of garment sales received from a single customer (H&M) in FY2025, which exposes it to any demand contraction from the global retailer. However, addition of new customer like Pepco in FY2022 and LC Waikiki and Teddy SPA in FY2025, are likely to reduce the risk to an extent. The ratings are further constrained by the susceptibility of its profitability to volatility in raw material prices and foreign exchange rates. The ratings continue to factor in the exposure of Le Shark's performance to external risk factors such as regulations and duty structures across the markets. Further, being an LLP, it remains exposed to the risk of capital withdrawal by its partners, as witnessed in the past years, which could impact its capital structure.

The Stable outlook on the long-term rating reflects ICRA's opinion that Le Shark's earnings and profitability continue to remain healthy over the medium term. Further, the outlook underlines ICRA's expectation that the entity's incremental capex, if any, to further expand the capacity will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing ratings.

Key rating drivers and their description

Credit strengths

Extensive experience of key partners spanning over three decades in the apparel industry – The partners have extensive experience of more than three decades in the readymade garments industry, which has enabled them to build strong relationships with various renowned players across the globe.

Established relationship with H&M – Le Shark derives ~61% of its revenues from the export of garments to the overseas outlets of H&M, a Swedish multinational retail clothing company. H&M is present in more than 75 countries with retail store.

Healthy profitability, favourable capital structure, strong debt protection metrics and RoCE due to asset-light model of operations – The asset-light business operations have resulted in strong return indicators because of high operating profitability on a relatively lower capital employed. Le Shark's financial profile continues to remain favourable, aided by limited dependence on outside debt and its strong net worth position. The capital structure has remained comfortable with a gearing of 0.2 times as on December 31, 2024. The coverage indicators, as reflected by OPBDITA/Interest, stood strong at 18.3 times and Total Debt/OPBDITA at 0.4 times as on December 31, 2024.

Credit challenges

Single customer concentration; exposed to any sharp demand contraction from H&M – Given the high concentration towards a single customer, the entity remains exposed to the risk of demand contraction from H&M. Nevertheless, the firm has added Pepco to its customer base in FY2022, which is a renowned European chain of discount shops, offering apparel for the entire family at an economical price. Besides, in FY2025, the entity has added LC Waikiki (LCW) and Teddy S.p.a., which is likely to support diversification to a certain extent over the medium term.

Susceptibility of margins to raw material price risks, foreign exchange rate fluctuations and stiff competition from foreign players enjoying higher economies of scale – The primary raw material used for manufacturing knitted fabric is cotton yarn, which is sourced from Tirupur, Tamil Nadu. Although the prices are reset on a quarterly basis depending on the yarn prices and forex rates, the firm might not be able to completely pass on any sudden increase in the same. Further, the firm remains exposed to volatility in exchange rates with it hedging only 50% of its forex exposure, exposing its profitability to any adverse foreign exchange rate fluctuations. Despite the established position of Le Shark as the readymade garment exporter to H&M, it faces stiff competition for H&M's tenders from many players located in low-cost manufacturing hubs in other Asian countries. As a result, its ability to strengthen its presence in the international market remains critical for its long-term growth.

Inherent risk of capital withdrawal by partners – Although the capital structure of the firm continues to remain comfortable, there have been significant capital withdrawals in the past due to the LLP constitution of the entity.

Liquidity position: Adequate

The firm's liquidity position is expected to remain healthy, supported by steady earnings from operations, cash and liquid investments held and adequate unutilised lines of credit. Availability of free cash buffer, including cash reserves, liquid investments and unutilised working capital limits together stood at around Rs. 10.3 crore as of December 2024. The average utilisation of its fund-based limits over the past 12 months ending in April 2025 stood at 47.9% of the sanctioned working capital limit of Rs. 18 crore. The firm did not have any long-term debt issuance as of March 2025, neither does it plan to raise the same in the near term. Its external liabilities are restricted to funding its working capital requirement. Further the capex planned is expected to be met by internal accruals.

Rating sensitivities

Positive triggers – ICRA could upgrade the ratings if the firm registers a substantial improvement in its revenues and earnings, supported by its customer diversification measures, which would enable Le Shark to strengthen its tangible net worth base.

Negative triggers – A significant decline in the scale of operations, impacting the profitability or any substantial withdrawal of capital, resulting in a moderation in the net worth base, could result in ratings downgrade. A specific metric that could lead to ratings downgrade includes TOL/TNW of more than 1.5 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Textiles – Apparels
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial statements of the rated entity.

About the company

Le Shark Global LLP (Le Shark), a Tirupur-based firm, was formed in 2011 to take over the business of Le-Shark Exports Pvt. Ltd. Le Shark is involved in the business of manufacturing and exporting readymade garments, which include nightwear, T-shirts, pyjama sets, tops, skirts, etc. to clients like H&M, Pepco, LCW, Teddy Spa etc. H&M has 4,000+ retail stores all over the world.

Le Shark's products are manufactured across two locations in Tirupur and are exported to several countries including Germany, China, Sweden, Canada, Spain, etc. The firm has been promoted by Mr. Anil Shah, Mrs. Kiran Shah, and Mr. Bharat Sadiwala, who manage the entire operations. Its head office is in Mumbai from where the administrative and financial activities are handled.

Key financial indicators (audited)

Le Shark (Standalone)	FY2023	FY2024	9MFY2025*
Operating income	353.6	350.5	244.4
PAT	47.7	38.3	-
OPBDIT/OI	24.8%	20.2%	17.4%
PAT/OI	13.5%	10.9%	14.4%
Total outside liabilities/Tangible net worth (times)	0.6	0.4	-
Total debt/OPBDIT (times)	0.2	0.3	0.4
Interest coverage (times)	22.8	11.9	18.3

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)		Chronology of rating history for the past 3 years						
	Type	Amount Rated (Rs Crore)	May 22, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Long term/Short term- PCL/PCFC	Long Term/Short Term	18.00	[ICRA]A-(Stable)/[ICRA]A2+	-	-	26-MAR-2024	[ICRA]A-(Stable)/[ICRA]A2+	29-JUN-2022	[ICRA]A-(Stable)/[ICRA]A2+
				-	-	-	-	09-MAR-2023	[ICRA]A-(Stable)/[ICRA]A2+
Long term/Short term- PSCFC/FDBN/FDBD/FDBP	Long Term/Short Term	(18.00)	[ICRA]A-(Stable)/[ICRA]A2+	-	-	26-MAR-2024	[ICRA]A-(Stable)/[ICRA]A2+	29-JUN-2022	[ICRA]A-(Stable)/[ICRA]A2+
				-	-	-	-	09-MAR-2023	[ICRA]A-(Stable)/[ICRA]A2+
Long term/Short term- Bank Guarantee	Long Term/Short Term	0.50	[ICRA]A-(Stable)/[ICRA]A2+	-	-	26-MAR-2024	[ICRA]A-(Stable)/[ICRA]A2+	29-JUN-2022	[ICRA]A-(Stable)/[ICRA]A2+
				-	-	-	-	09-MAR-2023	[ICRA]A-(Stable)/[ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term/Short term- PCL/PCFC	Simple
Long term/Short term- PSCFC/FDBN/FDBD/FDBP	Simple
Long term/Short term- Bank Guarantee	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	PCL/PCFC	NA	NA	NA	18.00	[ICRA]A-(Stable)/[ICRA]A2+
NA	PSCFC/FDBN/FDBD/FDBP*	NA	NA	NA	(18.00)	[ICRA]A-(Stable)/[ICRA]A2+
NA	Bank Guarantee	NA	NA	NA	0.50	[ICRA]A-(Stable)/[ICRA]A2+

Source: Company; * Sublimit

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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