

Press Release

SAVA ECO PACKAGING LLP

February 25, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs.6.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) to the Rs.6.00 crore bank facilities of SAVA ECO PACKAGING LLP (SEPP). The outlook is '**Stable**'.

SEPP was established in 2018 by Mr. Vineet Kumar Arya as a limited liability partnership firm. SEPP is setting up a manufacturing facility at Neemrana (Rajasthan) for manufacture of Biodegradable Disposable Tableware for consumption by Hospitality Industry which is recyclable and compostable. The commercial operations of the firm are expected to start by May 2019.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of SEPP to arrive at the rating.

Key Rating Drivers

Strengths

- **Operational support from Schon Ultrawares Private Limited**

SEPP has signed a Memorandum of Understanding (MoU) with Schon Ultrawares Private Limited (SUPL) for setting-up of a production plant of Biodegradable products (Tableware) by which it will receive complete technical know-how, commissioning of the plant and training of staff, handholding of new management to ensure smooth transition. SEPP will pay one-time fee equal to 10 percent of the project cost against the same. The products of SEPP will be sold under SUPL's brand name i.e. 'Grabeco' along with complete marketing support for next 5 years against which SEPP will have to pay a royalty of 5 percent of net sales.

SUPL was incorporated in 2000 and is engaged in manufacturing of biodegradable tableware such as Plates, Bowls, Trays, Clamshell Boxes, Wall Panel and Pulp Molded Packaging. The Partner, Mr. Vineet has more than two decades of experience in trading of ayurvedic products. He has been engaged in the manufacture of biodegradable tableware for a year through his association with SUPL.

Weaknesses

- **Nascent stage of operations and project implementation risk**

SEPP is setting up a plant for manufacture of Biodegradable Disposable Tableware. The total project cost is estimated to be Rs.7.40 crore which will be financed through a term loan of Rs.5.40 crore and promoter's funds of Rs.2.00 crore. As on February 2019, Rs.0.80 crore of equity has been infused by the partner for giving advance for machinery. Bank facilities have not been sanctioned as on 22 February, 2019. The commercial production of the firm is expected to start in May 2019. Any delay in funding of the project or establishment of manufacturing facility is likely to cause delay in operations and impact the projected sales of the firm.

Liquidity position

SEPP has stretched liquidity position. Acuité does not foresee any positive net cash accruals in the first year of operations and expect maturing debt obligations to stand at Rs.1.08 crore for FY2019-20. The liquidity of the firm is likely to remain stretched over the medium term on account of nascent stage of operations and will rely on the ability of the partners and SUPL to fund the liquidity deficit in the initial stage of operations.

Outlook: Stable

Acuite believes that SEPP will maintain a 'Stable' outlook over the near to medium term on the back of operational support from SUPL. The outlook may be revised to 'Positive' if SEPP commissions the project in time and exhibits higher than expected flow of orders. Conversely, the outlook may be revised to 'Negative' if there is any delay in commissioning of the project or dilution of support from SUPL which can impede the debt servicing ability of the firm.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	NA	NA	NA
EBITDA	Rs. Cr.	NA	NA	NA
PAT	Rs. Cr.	NA	NA	NA
EBITDA Margin	(%)	NA	NA	NA
PAT Margin	(%)	NA	NA	NA
ROCE	(%)	NA	NA	NA
Total Debt/Tangible Net Worth	Times	NA	NA	NA
PBDIT/Interest	Times	NA	NA	NA
Total Debt/PBDIT	Times	NA	NA	NA
Gross Current Assets (Days)	Days	NA	NA	NA

Note: Not applicable as the operations are expected to commence by May 2019.

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE B / Stable

Contacts

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About Acuité Ratings & Research:

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