

July 23, 2014

Facilities	Amount (Rs. Crore)	Ratings
FDBP*	7.00	SMERA C (Assigned)
Packing Credit	5.75	SMERA C (Assigned)
Bank Guarantee	0.25	SMERA A4 (Assigned)
Proposed Long Term	7.00	SMERA C (Assigned)

*Interchangeable to the extent of Rs.1.50 crore with bills discounting and packing credit

SMERA has assigned a long-term rating of '**SMERA C**' (read as SMERA C) and a short-term rating of '**SMERA A4**' (read as SMERA A four) to the abovementioned bank facilities of Sava International Private Limited (SIPL). The ratings reflect delays in debt servicing by the company. The ratings are constrained by the company's moderate scale of operations in an intensely competitive segment of the textile industry. The ratings are also constrained by the susceptibility of the company's profit margins to fluctuations in foreign exchange rates. The aforementioned weaknesses are partially offset by the company's experienced management.

SIPL, incorporated in 1980, is a Gurgaon-based company engaged in manufacturing and export of home furnishing textiles. SIPL's term loan statement reflects delays in debt servicing during January 2014 and February 2014.

The company's moderate scale of operations is reflected in revenues of Rs.36.13 crore and net profit of Rs.2.38 crore in FY2012-13. Moreover, SIPL's net profit (of Rs.2.38 crore in FY2012-13) is largely supported by non-operating income (of Rs.2.47 crore) arising from profit on sale of fixed assets. SIPL operates in an intensely competitive segment of the textile industry. The company's profit margins are susceptible to forex fluctuation risk, which arises from unhedged export sales.

SIPL benefits from its experienced management. Mr. Anil Khanna, director of SIPL, has around three decades of experience in the textile industry.

Rating sensitivity factors

- Timely servicing of term loan obligations
- Ability to scale up operations while achieving stable profit margins
- Improvement in financial risk profile
- Economic slowdown in key export markets

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About the company

SIPL, incorporated in 1980, is a Gurgaon-based company engaged in manufacturing and export of home furnishing textiles. SIPL's product portfolio includes cushion covers, curtains and table cloth. The overall operations of the company are currently managed by Mr. Anil Khanna.

For FY2012-13, SIPL reported profit after tax (PAT) of Rs.2.38 crore on operating income of Rs.39.08 crore, as compared with net loss of Rs.1.67 crore on operating income of Rs.31.19 crore for FY2011-12. The company's net worth stood at Rs.8.62 crore as on March 31, 2013, as compared with Rs.6.22 crore a year earlier.

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