

Press Release

SAVA INTERNATIONAL PRIVATE LIMITED

20 November, 2017

Rating Downgraded



Total Bank Facilities Rated*	Rs. 24.28 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has downgraded the long-term rating from '**SMERA BB-**' (read as **SMERA double B minus**) to '**SMERA B+**' (Read as **SMERA B plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to '**SMERA A4**' (Read as **SMERA A Four**) on the Rs. 24.28 crore bank facilities of SAVA International Private Limited. Further SMERA has withdrawn rating of (**SMERA B+/Stable**) on the Rs. 4.78 crore bank facilities of SAVA International Private Limited. The outlook is '**Stable**'.

The downgrade is in view of the decline in profitability, weak debt protection metrics and stretched liquidity profile. Sava International Private Limited (SIPL), incorporated in 1980, is a Gurugram- based company engaged in the manufacture and export of cushion covers, curtains, and table cloth among others. The company is headed by Mr. Anil Khanna, Managing Director. SIPL's facilities are located across Delhi, Gurugram and Tamil Nadu.

Key Rating Drivers**Strengths**

- Experienced management:**

SIPL, is a Delhi-based company established in 1980. The Managing Director, Mr. Anil Khanna possesses more than three decades of experience in the textile industry.

Weaknesses

- Declining trend in the revenues and profitability:**

The revenues registered a decline during the period under study due to subdued demand from European markets and slowdown in Turkey. In 2017 (Provisional), the company registered revenue of Rs. 36.98 crore as against Rs.44.11 crore in FY2016 and Rs. 70.95 crore in FY2015. The company has incurred operating loss of Rs. 4.29 crore as against operating profit (EBITDA) of Rs.1.25 crore in FY2016. This is mainly due to decline in operating income as against fixed overheads. SMERA expects that revenues will improve in the medium term as the company has entered into new markets with an aim to reduce concentration in European countries.

- Below average financial risk profile:**

The average financial risk profile is marked by net worth of Rs. 5.02 crore in FY2017 (Provisional) as against Rs.9.28 crore in FY2016. This is mainly due to net loss of Rs. 4.29 crore incurred in FY2017. The gearing (debt to equity ratio) deteriorated as per FY2017 (Provisional) to 2.76 times as against 1.09 times in FY2016 on account of loans of Rs. 5.22 crore borrowed from other financial institutions. The interest coverage ratio (ICR) stood at negative 0.94 times in FY2017 (Provisional) as against 1.04 times in FY2016.

- Working capital intensive operations**

SIPL has working capital intensive operations marked by high gross current assets (GCA) of 139 days in FY2017 as against 107 days in FY2016. This is on account of high inventory holding of 77 days in FY2017 as against 43 days in FY2016 and high debtors of 43 days in FY2017 as against 47 days in FY2016. The company has utilised 99 per cent of its working capital facilities for the six months ended 31 August, 2017.

SMERA Ratings Limited

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Analytical Approach- SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that SIPL will maintain a Stable outlook over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' in case the company registers significant growth in revenues and improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in its financial risk profile or elongation in working capital cycle.

About the Rated Entity - Key Financials

For FY2017 (Provisional) the company registered net loss of Rs.4.29 crore on operating income of Rs. 36.38 crore compared to net loss of Rs.1.63 crore on operating income of Rs. 44.11 crore. The networth stood at Rs. 5.02 crore as on 31 March, 2017 (Provisional) compared to Rs. 9.28 crore as on 31 March, 2016.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
11-Jul-2016	Post Shipment Credit	Long Term	INR 7	SMERA BB- / Stable (Reaffirmed)
	Packing Credit	Long Term	INR 5.75	SMERA BB- / Stable (Reaffirmed)
	Secured Overdraft	Long Term	INR 2	SMERA BB- / Stable (Reaffirmed)
	Term Loan	Long Term	INR 2.78	SMERA BB- / Stable (Reaffirmed)
	Bank Guarantee	Short Term	INR 0.25	SMERA A4+ (Reaffirmed)
	Proposed Post Shipment Credit	Long Term	INR 2.5	SMERA BB- / Stable (Reaffirmed)
	Proposed Packing Credit	Long Term	INR 2	SMERA BB- / Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	INR 2	SMERA BB- / Stable (Reaffirmed)
	Post Shipment Credit	Long Term	INR 7	SMERA BB- / Stable (Upgraded)
	Packing Credit	Long Term	INR 5.75	SMERA BB- / Stable

29-Jun-2015				(Upgraded)
	Secured Overdraft	Long Term	INR 1.5	SMERA BB- / Stable (Upgraded)
	Term Loan	Long Term	INR 2.78	SMERA BB- / Stable (Upgraded)
	Bank Guarantee	Short Term	INR 0.25	SMERA A4+ (Upgraded)
	Proposed Post Shipment Credit	Long Term	INR 3	SMERA BB- / Stable (Upgraded)
	Proposed Packing credit	Long Term	INR 2	SMERA BB- / Stable (Upgraded)
	Proposed Long Term Loan	Long Term	INR 2	SMERA BB- / Stable (Upgraded)
27-Feb-2015	Post Shipment Credit	Long Term	INR 7	SMERA D (Downgraded)
	Packing Credit	Long Term	INR 5.75	SMERA D (Downgraded)
	Bank Guarantee	Short Term	INR 0.25	SMERA D (Downgraded)
	Proposed Long Term Loan	Long Term	INR 7	SMERA D (Downgraded)
	Secured Overdraft	Long Term	INR 1.5	SMERA D (Assigned)
	Term Loan	Long Term	INR 2.78	SMERA D (Assigned)
23-Jul-2014	Post Shipment Credit	Long Term	INR 7	SMERA C (Assigned)
	Packing Credit	Long Term	INR 5.75	SMERA C (Assigned)
	Bank Guarantee	Short Term	INR 0.25	SMERA A4 (Assigned)
	Proposed Long Term Loan	Long Term	INR 7	SMERA C (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA B+/Stable (Downgraded)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	5.75	SMERA B+/Stable (Downgraded)
Overdraft	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA B+ / Stable (Withdrawn)
Term loans	Not Applicable	Not Applicable	Not Applicable	2.78	SMERA B+ / Stable (Withdrawn)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	SMERA A4 (Downgraded)
Proposed Packing Credit	Not Applicable	Not Applicable	Not Applicable	6.78 (Revised from Rs. 2.00 crore)	SMERA B+/Stable (Downgraded)
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA B+ / Stable (Downgraded)
Proposed Bills Discounting	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA B+ / Stable (Downgraded)

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ABOUT SMERA

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