

Press Release

Sava International Private Limited

December 19, 2018



**Rating Downgraded, Assigned,
Reaffirmed and Withdrawn**

Total Bank Facilities Rated*	Rs. 16.49 Cr.#
Long Term Rating	ACUITE B- / Outlook: Stable (Downgraded from ACUITE B+ /Stable)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

#Revised from Rs. 24.28 crore

Rating Rationale

Acuité has downgraded the long-term rating to '**ACUITE B-**' (**read as ACUITE B minus**) from '**ACUITE B+**' (**read as ACUITE B plus**) to the Rs. 12.75 crore bank facilities of Sava International Private Limited (SIPL). The outlook is '**Stable**'.

Also, Acuité has assigned the long term rating of '**ACUITE B-**' (**read as ACUITE B minus**) to the Rs. 3.49 crore bank facilities of SIPL.

Also, Acuité has reaffirmed the short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 0.25 crore bank facilities of SIPL.

Further, Acuité has withdrawn the long term rating of '**ACUITE B-**' (**read as ACUITE B minus**) to the Rs. 11.28 crore bank facilities of SIPL. The rating is being withdrawn on account of request received from the company.

The downgrade in the rating is on account of significant deteriorating financial risk profile, sharp decline in profitability margins and weak debt protection metrics. The company has continuous losses on operating levels in FY2017 and FY2018. The company has incurred operating loss of Rs.4.57 crore in FY2018 as against operating loss of Rs. 2.16 crore in FY2017.

Sava International Private Limited (SIPL) (erstwhile Sava Enterprises) was established in 1980 as a partnership firm, later in 2008, the constitution was changed to private limited company. The company is promoted by Mr. Anil Khanna (Managing Director). The company is engaged in the manufacturing and export of cushion covers, curtains, and table cloth, among others. SIPL's manufacturing units are located across Gurgaon (Haryana) and Karur (Tamil Nadu) having an installed capacity of 20 lakh pieces per annum with average utilisation of ~75 percent.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of SIPL to arrive at this rating.

Key Rating Drivers

Strengths

- Established track record of operations and experienced management**

Sava International Private Limited (erstwhile Sava Enterprises) was established in 1980 as a partnership firm, later in 2008, the constitution was changed to private limited company thus having an operational track record of around four decades in the textile industry. Mr. Anil Khanna and Mrs. Vinita Khanna have experience of over four decades in the same line of business. Further, Mr. Anuj Khanna and Mrs. Suruchi Khanna have experience of over a decade in the aforementioned industry. Hence, long track records of operations and vast experience of management has helped the company to develop healthy relationship with its customers and suppliers. Acuité believes that SIPL will sustain its existing business profile on the back of established track record of operations and experienced management.

Weaknesses

- **Declining trend in 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 2018, the company registered revenue of Rs. 33.64 crore as against Rs. 36.46 crore in FY2017 and Rs. 44.11 crore in FY2016. The company has incurred operating loss (EBITDA) of Rs. 4.57 crore in FY2018 as against operating loss of Rs. 2.16 crore in FY2017. This is mainly due to decline in operating income as against fixed overheads. However, the company has reported operating revenue of Rs. 17.00 crore from April 2018-November 2018. Acuité believes that the company's ability to scale up its operations while improving its profitability margins will remain a key rating sensitivity factor.

- **Deterioration in financial risk profile**

The financial risk profile of the company has sharply deteriorated in FY2018 as against previous year marked by negative net worth, gearing and debt protection metrics of the company. The net worth of the company declined to negative Rs. 0.20 crore (which includes Rs. 1.56 crore of quasi equity) as on 31 March 2018 as against Rs. 5.51 crore (including Rs. 1.03 crore of quasi equity) as on 31 March 2017. Gearing (debt-equity) stood at negative 57.06 times as on 31 March, 2018 as against 2.32 times as on 31 March, 2017. The total debt of Rs. 11.52 crore as on 31 March, 2018 mainly comprises Rs. 7.88 crore of working capital facility, Rs. 3.64 crore of long term debt. Interest Coverage Ratio (ICR) stood negative at 2.49 times for FY2018 as against negative of 1.62 times for FY2017. Further, Debt to EBITDA stood at negative 3.02 times for FY2018 as against negative 6.05 times for FY2017.

- **Working capital intensive operations**

The company has working capital intensive nature of operations marked by Gross Current Assets (GCA) of 146 days for FY2018 as against 140 days for FY2017. Inventory days stood at 72 days for FY2018 as against 75 days for FY2017. The debtor days stood at 31 days for FY2018 as against 43 days for FY2017. Acuité believes that the company's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

Outlook: Stable

Acuité believes that SIPL will maintain a 'Stable' outlook and benefit over the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case the company registers significant growth in its revenue and profitability while maintaining comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	33.64	36.46	44.11
EBITDA	Rs. Cr.	(4.57)	(2.16)	1.25
PAT	Rs. Cr.	(6.26)	(4.83)	(1.63)
EBITDA Margin	(%)	(13.58)	(5.92)	2.83
PAT Margin	(%)	(18.60)	(13.23)	(3.69)
ROCE	(%)	(32.95)	(18.58)	(1.15)
Total Debt/Tangible Net Worth	Times	(57.06)	2.32	1.05
PBDIT/Interest	Times	(2.49)	(1.62)	1.04
Total Debt/PBDIT	Times	(3.02)	(6.05)	6.71
Gross Current Assets (Days)	Days	146	140	108

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

None

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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
20-Nov-2017	Post Shipment Credit	Long Term	7.00	ACUITE B+ / Stable (Downgraded from ACUITE BB- /Stable)
	Packing Credit	Long Term	5.75	ACUITE B+ / Stable (Downgraded from ACUITE BB- /Stable)
	Secured Overdraft	Long Term	2.00	ACUITE B+ / Stable (Withdrawn)
	Term Loan	Long Term	2.78	ACUITE B+ / Stable (Withdrawn)
	Bank Guarantee	Short Term	0.25	ACUITE A4 (Downgraded from ACUITE A4+)
	Proposed Packing Credit	Long Term	6.78	ACUITE B+ / Stable (Downgraded from ACUITE BB- /Stable)
	Proposed Long Term Loan	Long Term	2.00	ACUITE B+ / Stable (Downgraded from ACUITE BB- /Stable)
11-Jul-2016	Proposed Post Shipment Credit	Long Term	2.50	ACUITE B+ / Stable (Downgraded from ACUITE BB- /Stable)
	Post Shipment Credit	Long Term	7.00	ACUITE BB- / Stable (Reaffirmed)
	Packing Credit	Long Term	5.75	ACUITE BB- / Stable (Reaffirmed)
	Secured Overdraft	Long Term	2.00	ACUITE BB- / Stable (Reaffirmed)
	Term Loan	Long Term	2.78	ACUITE BB- / Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.25	ACUITE A4+ (Reaffirmed)
	Proposed Post Shipment Credit	Long Term	2.50	ACUITE BB- / Stable (Reaffirmed)
29-Jun-2015	Proposed Packing Credit	Long Term	2.00	ACUITE BB- / Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	2.00	ACUITE BB- / Stable (Reaffirmed)
	Post Shipment Credit	Long Term	7.00	ACUITE BB- / Stable (Upgraded from ACUITE D)
	Packing Credit	Long Term	5.75	ACUITE BB- / Stable (Upgraded from ACUITE D)
29-Jun-2015	Secured Overdraft	Long Term	1.50	ACUITE BB- / Stable (Upgraded from ACUITE D)
	Term Loan	Long Term	2.78	ACUITE BB- / Stable (Upgraded from ACUITE D)

	Bank Guarantee	Short Term	0.25	ACUITE A4+ (Upgraded from ACUITE D)
	Proposed Post Shipment Credit	Long Term	3.00	ACUITE BB- / Stable (Upgraded from ACUITE D)
	Proposed Packing Credit	Long Term	2.00	ACUITE BB- / Stable (Upgraded from ACUITE D)
	Proposed Long Term Loan	Long Term	2.00	ACUITE BB- / Stable (Upgraded from ACUITE D)
27-Feb-2015	Post Shipment Credit	Long Term	7.00	ACUITE D (Downgraded from ACUITE C)
	Packing Credit	Long Term	5.75	ACUITE D (Downgraded from ACUITE C)
	Bank Guarantee	Short Term	0.25	ACUITE D (Downgraded from ACUITE A4)
	Proposed Post Shipment Credit	Long Term	3.00	ACUITE D (Downgraded from ACUITE C)
	Proposed Packing Credit	Long Term	2.00	ACUITE D (Downgraded from ACUITE C)
	Proposed Long Term Loan	Long Term	2.00	ACUITE D (Downgraded from ACUITE C)
	Secured Overdraft	Long Term	1.50	ACUITE D (Assigned)
	Term Loan	Long Term	2.78	ACUITE D (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	ACUITE B- / Stable (Downgraded from ACUITE B+ / Stable)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	5.75	ACUITE B- / Stable (Downgraded from ACUITE B+ / Stable)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE A4 (Reaffirmed)
Proposed Packing Credit	Not Applicable	Not Applicable	Not Applicable	6.78#	ACUITE B- (Withdrawn)
Proposed Bills Discounting	Not Applicable	Not Applicable	Not Applicable	2.50#	ACUITE B- (Withdrawn)
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	2.00#	ACUITE B- (Withdrawn)
Term loans	Not Applicable	Not Applicable	Not Applicable	2.39	ACUITE B- / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.87	ACUITE B- / Stable (Assigned)
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	0.23	ACUITE B- / Stable (Assigned)

#Total facilities rated doesn't include withdrawn amount of Rs. 11.28 crore.

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Priyal Jain Analyst - Rating Operations Tel: 022-49294065 priyal.jain@acuiteratings.in	

About Acuité Ratings & Research:

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