

Press Release

Sava International Private Limited

May 11, 2021



Rating Withdrawn

Total Bank Facilities Rated	Rs.2.99 Cr.#
Long Term Rating	ACUITE B- (Withdrawn)

Refer Annexure for details

Rating Rationale

Acuité has reviewed and withdrawn the long term rating of '**ACUITE B-**' (**read as ACUITE B minus**) on the Rs.2.99 crore bank facilities of Sava International Pvt. Ltd. (SIPL). The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating and on account of request received from the company and No Objection Certificate (NOC) received from the bankers.

About the company

Delhi-based SIPL was established in 1980 as a partnership firm by the name of Sava Enterprises and later converted to Private Limited in 2008. The company is currently headed by Mr. Anil Khanna, Mr. Anuj Khanna, Mrs. Suruchi Khanna and Mrs. Vinita Khanna. SIPL is engaged in the manufacturing of cushion covers, curtains, and table cloth etc. The company primarily generates revenue from exports.

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of SIPL to arrive at the rating.

Key rating drivers:

Strengths:

Experienced management and long track record of operations

Established in 1980, SIPL has a long track record of operations of nearly four decades in the business in the textile industry. The company also benefits from the extensive experience of its promoters, i.e. Mr. Anil Khanna, Mr. Anuj Khanna, Mrs. Suruchi Khanna and Mrs. Vinita Khanna, all of whom have nearly 4 decades of experience in the aforementioned industry. Going forward, Acuité expects the company will sustain its existing business profile on the back of established track record of operations and experienced management.

Weaknesses:

Intensive working capital operations

The working capital operations of the company depicted a further deterioration in FY2020 marked by high Gross Current Assets (GCA) of 219 days in FY2020 as compared to 161 days in FY2019. The GCA days have increased due to substantial increase in inventory holding period which stood at 143 days in FY2020 as compared to 101 days in FY2019. The inventory days are high due to variations in the product mix. Further, creditor payable period has increased more than 2x times and stood at 213 days in FY2020 as compared to 92 days as on FY2019. As a result, the reliance on working capital limits has increased, leading to higher utilization of its bank lines at an average of 84 per cent over the last six months through January 2021. Acuité believes that the company's ability to manage the working capital will be key rating sensitivity.

Fall in revenues and stretch in liquidity position:

SIPL's operating income has seen a further downfall due to the COVID-19 pandemic. As a result, the operating income stood at Rs.20.26 crore in FY2020 as against Rs. 27.96 crore in FY2019. Further, the company has reported low operating margins (EBITDA) of (9.62) percent in FY2020 which got deteriorated from (2.28) percent in FY2019. The fall in operating income and the profitability is attributed to the COVID-19 pandemic which resulted into several restrictions in movement of goods all over the world.

Weak financial risk profile

The company has a weak financial risk profile marked by poor net worth, high gearing and below average debt protection metrics. The tangible net worth stood at Rs.0.08 crores as on 31st March 2020 as against Rs 5.86 crore as on 31st March, 2019. The gearing level has further downgraded and stood as high as 196.17 times as on 31st March, 2020 as against 1.93 times as on 31st March, 2019. The Total Outside Liabilities/ Tangible net worth (TOL/TNW) stood at 279.04 times as on 31st March, 2020 v. 2.85 times as on 31st March, 2019. Total debt of Rs 15.27 crore as on 31st March, 2020 includes long term debt of Rs 3.23 crore and short term debt of Rs 12.04 crore. Interest Coverage Ratio (ICR) declined to (0.67) times for FY20 from 2.48 times in the previous year. Debt Service Coverage Ratio (DSCR) stood at (0.56) times for FY20 as against 1.87 times in FY19. Net Cash Accruals/ Total Debt (NCA/TD) stood low at (0.13) times in FY20 as compared to 0.21 times in FY19.

Liquidity Position: Stretched

SIPL has stretched liquidity marked by insufficient net cash accruals to its maturing debt obligations and high bank limit utilization. The company generated net cash loss of around Rs.2.02 crore in FY2020, while it's maturing debt obligations were Rs.0.36 crore over the same period. The company's working capital operations are intensive in nature marked by high Gross Current Asset (GCA) days of 219 in FY2020. Further, the working capital facilities were utilized at 84 percent during the last 6 months period ended January 2021. The company maintains unencumbered cash and bank balances of Rs.0.09 crore as on March 31, 2020. The current ratio of the company stood at 0.88 times as on March 31, 2020. Acuite believes that the liquidity of the company is likely to remain stretched over the medium term on account of below average net cash accruals against maturing debt obligations.

Rating Sensitivities

Not Applicable

Material Covenants

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	20.26	27.96
PAT	Rs. Cr.	(2.67)	1.55
PAT Margin	(%)	(13.19)	5.53
Total Debt/Tangible Net Worth	Times	196.17	1.93
PBDIT/Interest	Times	(0.67)	2.48

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities in Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
31-Mar-2021	Post Shipment Credit	Long Term	2.00	ACUITE B- (Withdrawn)
	PC/PCFC	Long Term	5.75	ACUITE B- (Withdrawn)

	Inventory Funding	Long Term	0.23	ACUITE B- (Withdrawn)
	Term Loan	Long Term	2.99	ACUITE B- (Indicative)
	Proposed Long Term Loan	Long Term	5.27	ACUITE B- (Withdrawn)
	Bank guarantee	Short Term	0.25	ACUITE A4 (Withdrawn)
06-Jan-2020	Post Shipment Credit	Long Term	2.00	ACUITE B- / Stable (Reaffirmed)
	PC/PCFC	Long Term	5.75	ACUITE B- / Stable (Reaffirmed)
	Bank guarantee/Letter of Guarantee	Short Term	0.25	ACUITE A4/ Stable (Reaffirmed)
	Proposed Packing Credit	Long Term	6.78	ACUITE B- (Withdrawn)
	Proposed Bills Discounting	Long Term	2.50	ACUITE B- (Withdrawn)
	Term loans	Long Term	2.99	ACUITE B-/ Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	5.27	ACUITE B-/ Stable (Reaffirmed)
	Term loans	Long Term	2.39	ACUITE B- (Withdrawn)
	Term loans	Long Term	0.87	ACUITE B- (Withdrawn)
	Inventory Funding	Long Term	0.23	ACUITE B- / Stable (Reaffirmed)
19-Dec-2018	Post Shipment Credit	Long Term	7.00	ACUITE B- /Stable (Downgraded from ACUITE B+ /Stable)
	PC/PCFC	Long Term	5.75	ACUITE B- /Stable (Downgraded from ACUITE B+ /Stable)
	Bank guarantee/Letter of Guarantee	Short Term	0.25	ACUITE A4 (Reaffirmed)
	Proposed Packing Credit	Long Term	6.78	ACUITE B- (Withdrawn)
	Proposed Bills Discounting	Long Term	2.50	ACUITE B- (Withdrawn)
	Proposed Long Term Loan	Long Term	2.00	ACUITE B- (Withdrawn)
	Term loans	Long Term	2.39	ACUITE B- / Stable (Assigned)

	Term loans	Long Term	0.87	ACUITE B- / Stable (Assigned)
	Inventory Funding	Long Term	0.23	ACUITE B- / Stable (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
Term Loan	Not Available	Not Available	Not Available	2.99	ACUITE B- (Withdrawn)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President – Corporate Ratings Tel: 022 – 49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager – Rating Desk Tel: 022 – 49294011 rating.desk@acuite.in
Salony Goradia Senior Analyst – Rating Operations Tel: 022 – 49294000 salony.goradia@acuite.in	

About Acuité Ratings & Research:

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