

November 15, 2017

Safar Polyfibre Private Limited

Summary of rated instruments

Instrument*	Rated Amount (Rs. crore)	Rating Action
Fund-based – Cash Credit	10.00	[ICRA]B(Stable) Reaffirmed
Fund-based – Term Loan	25.25	[ICRA]B(Stable) Reaffirmed
Non-fund Based – Bank Guarantee	4.70	[ICRA]A4; Reaffirmed
Non-fund Based – CEL for Forward Contract	0.09	[ICRA]A4; Reaffirmed
Total	40.04	

*Instrument details are provided in Annexure-1

Rating action

ICRA has reaffirmed the long-term rating of [ICRA]B (pronounced as ICRA B) to the 10.00-crore¹ fund-based cash credit facility and Rs. 25.25-crore fund-based term loan facility of Safar Polyfibre Private Limited (“SPPL” or “the company”) ². ICRA also has reaffirmed the short-term rating of [ICRA]A4 (pronounced ICRA A four) to the Rs. 4.79-crore non-fund based limits of SPPL. The outlook on the long-term is ‘Stable’.

Rationale

The ratings reaffirmation continues to be constrained by the limited track record of SPPL’s operation with associated stabilisation risk with regard to achievement of estimated operating parameters. Furthermore, the rating takes into account the company’s weak financial profile with the debt-equity-ratio of 4.74 times on a project basis, which is expected to remain stretched in the near to medium term, given the debt-funded nature of the project and the impending debt repayments. The ratings are also constrained by SPPL’s presence in the highly competitive technical textile industry and the susceptibility of SPPL’s profitability to volatility in virgin poly-staple fibre prices.

The ratings continue to positively factor in the experience of the promoters in plastics and related businesses.

Key rating drivers

Credit strengths

- **Long experience of promoters in plastics and related products** - The promoters have two decades of experience in manufacturing various plastic products from virgin material and scrap. With industry knowledge and an existing network of plastic scrap and poly-ethylene terephthalate waste suppliers, the promoters have led SPPL to diversify into the business of RPSF manufacturing. The promoters also have a vast experience of other sectors such as construction, trading of grit, stones, pesticides and manufacturing of wall tiles, among others.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA’s website www.icra.in or other ICRA Rating Publications.

Credit weaknesses

- **Limited track record of operation** – SPPL has recently commenced commercial production from October 2017. Thus with limited track record of operations, SPPL remains exposed to stabilisation risks associated with a greenfield project.
- **Financial profile expected to remain stretched in the near term** – High reliance on debt-funding and its associated servicing burden are expected to keep the company's credit metrics stretched over the near to medium term.
- **Competition from organised players** - The recycled polyester staple fibre (RPSF) F market is fragmented with a large number of small to mid-sized players. The top three players — Ganesh Ecosphere Limited, Reliance Industries Limited and Pashupati Polytex — account for ~50% of the installed capacities of RPSF in India. SPPL is a relatively new entrant in the market with smaller capacities (50 MTPD) vis-à-vis the other players and thus faces stiff competition.
- **Volatile PSF prices could squeeze profitability** - The market price of regenerated polyester fibre shows variation with the price of VPSF (substitute for RPSF), which in turn, is linked to crude oil prices (as its raw materials purified terephthalic acid and mono ethylene glycon are crude derivatives) and alternative fibre prices like cotton. Accordingly, the profitability of RPSF can fluctuate and come under pressure in case of a substantial fall in crude oil prices, resulting in the fall in virgin-grade PSF prices.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

About the company:

Incorporated in February 2016, Safar Polyfibre Private Limited (SPPL) has set up a greenfield project with production capacity of 50 tonnes per day of recycled polyester staple fibres (RPSF) using waste polyethylene terephthalate (PET) bottles as raw material at Kuchiyadad in Rajkot, Gujarat. It commenced commercial operation from October 2017.

SPPL is promoted by Mr. Hitesh Bhalodiya, Mr. Nilesh Bhalodiya and Mr. Paresh Bhalodiya, along with seven other directors. The promoters have two decades of experience in manufacturing various plastic products from virgin material and scrap. The promoters also have a vast experience of other sectors such as construction, trading of grit, stones, pesticides and manufacturing wall tiles, among others.

Against the estimated project cost of Rs. 51.67 crore, SPPL has incurred a cost of Rs. 53.67 crore resulting in cost overrun of Rs. 1.50 crore. The repayment of the bank term loan is scheduled to commence from January 2018, providing a cushion of about four months to the company. Hence, the future cash flow adequacy of the company would be sensitive to its ability to successfully market its product and thereby ramp up its operations in a competitive industry.

Key financial indicators (Audited) –
Not applicable, as no audited results were available.

	FY2017
Operating Income (Rs. crore)	N.A.
PAT (Rs. crore)	N.A.
OPBDIT/ OI (%)	N.A.
RoCE (%)	N.A.
	N.A.
Total Debt/ TNW (times)	N.A.
Total Debt/ OPBDIT (times)	N.A.
Interest Coverage (times)	N.A.
NWC/ OI (%)	N.A.

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress);

NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:
Table:

S. No.	Instrument	Current Rating (FY2018)					Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating	Date & Rating in FY2017		Date & Rating in FY2016	Date & Rating in FY2015
					November -17	August-17	October 2016	December 2016	-	-
1	Cash Credit Limits	Long Term	10.00	-	[ICRA]B (Stable)	[ICRA]B (Stable)	[ICRA]B	-	-	-
2	Term Loan Limits	Long Term	25.25	-	[ICRA]B (Stable)	[ICRA]B (Stable)	[ICRA]B	-	-	-
3.	EPC/FBD*	Long Term	Nil	-	-	-	[ICRA]B			
4.	Bank Guarantee	Short Term	4.70	-	[ICRA]A4	[ICRA]A4	[ICRA]A4			
5.	CEL for forward Contract	Short Term	0.09	-	[ICRA]A4	[ICRA]A4	[ICRA]A4			
6.	LC (Capital Goods)**	Short Term	Nil	-			[ICRA]A4			
7.	Unallocated Limits	Long term/ Short term	Nil	-	-		-	[ICRA]B/A4		

*Sublimit within CC **Sublimit within TL

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Instrument Details

Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
Cash Credit	-	-	-	10.00	[ICRA]B (Stable)
Term Loan	September 2016	(MCLR+ 2.70%)	December 2022	25.25	[ICRA]B (Stable)
Bank Guarantee	-	-	-	4.70	[ICRA]A4
CEL for forward Contract	-	-	-	0.09	[ICRA]A4

Source: SPPL

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About ICRA Limited:

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