

Saheb Fibre Private Limited

March 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	65.00	CARE B+; Stable	Reaffirmed
Short Term Bank Facilities	2.00	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1

Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Saheb Fibre Private Limited (SFPL) continues to remain constrained on account of project implementation and stabilization risk associated with on-going debt-funded capex, presence in highly competitive and fragmented polyester staple fibre (PSF) industry with raw material price fluctuation risk along with exposure to volatility in finished goods prices. The ratings, however, continue to derive strength from its experience of promoters through group entities along with benefits from technological advancement and expected government incentives.

Rating sensitivities- Factors likely to lead to rating actions

Positive factors

- Stabilization of operations with successful completion of the project within time and cost parameters

Negative factors

- Delay in project execution and commencement of operations putting pressure on liquidity
- Changes in government regulations which adversely impacts the business of the company

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects that SFPL is likely to complete its debt funded capex within time and cost parameters and achieve envisaged total operating income (TOI) and profitability.

Detailed description of the key rating drivers

Key Weaknesses

Project implementation and stabilization risk associated with on-going debt-funded capex

SFPL is establishing PSF manufacturing unit in Morbi (Gujarat). Operations are expected to commence from July 2024 with installed capacity of 20338 MTPA. The total cost of project is envisaged to Rs.89.50 crore with project gearing of 1.98 times. Till February 23, 2024, SFPL has incurred cost of Rs.68.85 crore as against costs of Rs.18.09 crore incurred till May 17, 2023. CARE Ratings Limited (CARE Ratings) expects project to be completed within time and costs parameter. With steady progress and ~23% of pending costs to be incurred, project implementation risk is moderated to a certain extent, however, stabilization risk persists. Completion of project within envisaged time and cost parameter along with stabilization of operations are key rating monitorable.

Highly competitive and fragmented nature of industry with raw material price fluctuation risk

The company operates in the PSF industry which is highly competitive industry with presence of numerous independent small-scale enterprises owing to low entry barriers leading to high level of competition in the processing segment. Furthermore, PSF industry also faces competition from the low-cost countries like China and Bangladesh. The intense competition in the industry also restricts ability to completely pass on volatility in input cost to its customers, leading to lower profit margins. Further, the basic raw material of the company is Polyethylene terephthalate (PET) bottles which is the downstream petroleum product and hence the prices of which are linked to international crude prices.

Exposure to volatility in finished goods prices

The price of PSF is benchmarked against the prices of virgin PSF, which in turn, is linked to the prices of Poly Terephthalic acid (PTA) and mono ethylene glycol (MEG) (i.e., derivatives of crude oil). PSF's prices are at a discount (approximately 15-20%) to virgin PSF prices. Any downward movement in crude oil prices makes PSF less attractive vis-à-vis virgin PSF, as the spread between the two gets narrowed. However, the risk is mitigated to an extent as PET waste does not have any other significant usage apart from that in PSF manufacturing. Hence, PSF manufacturers have ability to negotiate input raw material prices in times of declining PSF prices.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key Strengths

Experienced Promoters

SFPL is promoted by 5 promoters viz. Mr. Jigar Sitapara, Mr. Harsh Saradava, Mr. Parth Bhatasana, Mr. Sandip Haraniya and Mr. Arjan Haraniya. Mr. Jigar Sitapara has 9 years of experience in ceramic industry, Mr. Harsh Saradava has decade of experience in textile industry, Mr. Parth Bhatasana has 5 years of experience in ceramic industry, Mr. Sandip Haraniya has 12 years of experience in marketing segment of various industries and Mr. Arjan Haraniya has 29 years of experience in diamond industry. All the promoters are involved in various functions of either of the group company or associate company of SFPL and thus possess the knowledge of setting up the manufacturing plant and carrying out its operations. Also, the overall, operations of the company will be supported by another qualified individual namely Mr. Omprakash Tiwari. Mr. Omprakash Tiwari has over 3 decades of industry experience in planning, procurements, marketing and plant management in the field of PSF. Also, the connections build by Mr. Omprakash Tiwari in the textile industry will be helpful for SFPL.

Latest technology benefit along with expected benefits from government incentives

SFPL has purchased PSF production line from Shanghai Pacific Erfanji Fibre Complete Equipment Co. Ltd., which will provide latest technological benefits to production process of SFPL. Also, under the 'PET Bottle Recycling using Indigenous Waste' SFPL will be eligible for financial assistance up to 40% of fixed capital investment in the project and maximum up to Rs.50 crore.

Liquidity: Stretched

Project implementation and stabilization along with generation of envisaged cash accruals to meet the debt obligation shall remain crucial from credit perspective. Operations are expected to commence from July 2024 onwards while debt repayment will commence from November 2024. Debt repayment obligation for FY25 remains at Rs.2.40 crore.

Applicable Criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Manmade Yarn-Methodology](#)

[Project stage companies](#)

About the Company and Industry

Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Textiles	Textiles & Apparels	Other Textile Products

Rajkot, Gujarat based Saheb Fibre Private Limited (SFPL) was incorporated on September 29, 2022, by 5 promoters viz. Mr. Jigar Sitapara, Mr. Harsh Saradava, Mr. Parth Bhatasana, Mr. Sandip Haraniya and Mr. Arjan Haraniya. SFPL is implementing greenfield project to manufacture PSF from post consumed PET bottles with expected project costs of Rs.89.50 crore. SFPL will operate from its sole manufacturing facility at Morbi, Gujarat and expects to commence operations from July 2024 with installed capacity of 20338 MTPA. PSF finds its application in pillows, soft toys, cushions, clothing and home furnishing items like curtains, carpets, wall coverings, sheets, etc.

Brief Financials: Not applicable since operations are expected to commence from July 2024.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Please refer Annexure-4

Lender details: Please refer Annexure-5

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	20.00	CARE B+; Stable
Fund-based - LT-Term Loan		-	-	31-03-2032	45.00	CARE B+; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	2.00	CARE A4

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	45.00	CARE B+; Stable	1)CARE B+; Stable (30-May-23)	-	-	-
2	Fund-based - LT-Cash Credit	LT	20.00	CARE B+; Stable	1)CARE B+; Stable (30-May-23)	-	-	-
3	Non-fund-based - ST-Bank Guarantee	ST	2.00	CARE A4	1)CARE A4 (30-May-23)	-	-	-

Annexure 3: Covenants of rated instrument/facility: Not Applicable**Annexure 4: Complexity level of various instruments rated:**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of all the entities consolidated: Not Applicable

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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