

## Press Release

### Shree Soaps And Homecare Industries

January 03, 2020

#### Rating Reaffirmed



|                                     |                                            |
|-------------------------------------|--------------------------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 15.00 Cr.                              |
| <b>Long Term Rating</b>             | ACUITE B / Outlook: Stable<br>(Reaffirmed) |

\* Refer Annexure for details

#### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs. 15.00 crore bank facilities of SHREE SOAPS AND HOMECARE INDUSTRIES (SSHI). The outlook is '**Stable**'.

Shree Soaps and Homecare Industries (SSHI) a partnership firm based Kutch, Gujarat was established in 2018. The firm is engaged in manufacturing and packaging of detergent powder i.e. Surf Excel (Easy Wash) one of the Hindustan Unilever's brands. The manufacturing facility is located at Silvassa with installed capacity of 4800 Metric Ton per month.

#### Analytical Approach

Acuite has considered the standalone business and financial risk profile of SSHI to arrive at the rating.

#### Key Rating Drivers

##### Strengths

- **Experienced partners**

The partnership firm is promoted by partners, Mr. Anilkumar Goyal and Mrs. Sandhyadevi Goyal. The key partner, Mr. Anilkumar Goyal has more than two decades of experience in mineral processors for fillers used for soaps & detergents, detergent manufacturing and packing, warehousing and logistics services through their association with other group companies and firm under Rudraksh Group.

- **Location advantage**

The project is being set-up in Silvassa (Gujarat) which has many small scale industries and the unit is well connected to local and national highways which will thereby reduce the logistical cost.

##### Weaknesses

- **Project off take risk**

The firm has been newly established and started commercial operations from November 2019 only. The project has total cost of Rs.15.50 crore, which is funded through Rs.12.00 crore debt and rest from promoter's contribution. However, the firm still faces project off take risk unless the operations stabilise. This risk is partially mitigated by exclusive arrangement with Unilever.

- **Intense competition**

The company operates in market, which is marked by the presence of several organised and unorganised players, which will put pressure on margins and restricts bargaining power with the clients. However, the promoter's past relation and exclusive arrangement with Unilever for the project mitigates the competition risk to certain extent.

#### Rating Sensitivities

- Insufficient cash accruals leading to increase in borrowings, weakening of capital structure and financial risk profile.
- Substantial increase in the scale of operations and profitability margins leading to improvement in overall financial risk profile.

#### Material Covenants

None

**Liquidity Position:** Not applicable

**Outlook: Stable**

Acuite believes that SSHI will continue to maintain a stable outlook over the near to medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company achieves sustained growth in revenues, higher-than-expected profitability and improvement in capital structure while effectively managing its working capital operations. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higher-than-expected working capital requirements.

**About the Rated Entity - Key Financials**

Not applicable as the firm has commenced operations in November 2019 only.

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

None

**Any other information**

Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing entities - <http://acuite.in/view-rating-criteria-4.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/<br>Facilities | Term      | Amount<br>(Rs. Crore) | Ratings/Outlook                 |
|-------------|-----------------------------------|-----------|-----------------------|---------------------------------|
| 17-Oct-2018 | Proposed Cash Credit              | Long Term | 3.00                  | ACUITE B / Stable<br>(Assigned) |
|             | Proposed Long Term<br>Loan        | Long Term | 12.00                 | ACUITE B / Stable<br>(Assigned) |

**\*Annexure – Details of instruments rated**

| Name of the<br>Facilities | Date of<br>Issuance | Coupon<br>Rate    | Maturity<br>Date  | Size of the Issue<br>(Rs. Cr.) | Ratings/Outlook                   |
|---------------------------|---------------------|-------------------|-------------------|--------------------------------|-----------------------------------|
| Cash Credit               | Not<br>Applicable   | Not<br>Applicable | Not<br>Applicable | 3.00                           | ACUITE B / Stable<br>(Reaffirmed) |
| Term Loan                 | Not<br>Applicable   | Not<br>Applicable | Not<br>Applicable | 12.00                          | ACUITE B / Stable<br>(Reaffirmed) |

## Contacts

| Analytical                                                                                                                                                                                                                                                                                                                        | Rating Desk                                                                                                                             |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
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### About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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