

Press Release

Shree Soaps And Homecare Industries

January 03, 2020



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité 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

Acuité 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

Acuité 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

Acuité 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/ Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
17-Oct-2018	Proposed Cash Credit	Long Term	3.00	ACUITE B / Stable (Assigned)
	Proposed Long Term Loan	Long Term	12.00	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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE B / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE B / Stable (Reaffirmed)

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: 022-49294011 rating.desk@acuite.in
Rishabh Mundada Analyst - Rating Operations Tel: 022-49294033 rishabh.mundada@acuite.in	

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.