

Press Release

Shree Soaps and Homecare Industries

February 03, 2021



Rating Withdrawn

Total Bank Facilities Rated*	Rs.15.00 Cr.
Long Term Rating	ACUITE B (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long term rating of '**ACUITE B' (read as ACUITE B)**' on the Rs.15.00 Cr. bank facilities of Shree Soaps and Homecare Industries (SSHI). The rating is being withdrawn on account of request received from the company and NOC received from the banker and based on confirmations received as per Acuité policy.

About the company

Shree Soaps and Homecare Industries (SSHI) is a partnership firm based out of Kutch, Gujarat which was established in the year 2018. It is promoted by partners Mr. Anilkumar Goyal and Mrs. Sandhyadevi Goyal. The firm is engaged in the manufacturing and packaging of detergent powder, i.e. Surf Excel (Easy Wash) by Hindustan Unilever Limited. The manufacturing facility is located at Silvassa, Gujarat with an installed capacity of 48,000 Metric Ton per annum. The firm commenced its operations from November, 2019.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of SSHI to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

Incorporated in the year 2018, 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. The company set up a new manufacturing plant located at Silvassa, Gujarat which was completed in 2019 and the operations was commenced from last week of November, 2019.

Weaknesses

- **Nascent stage of operations and modest scale of operations**

The firm set up its manufacturing unit at Silvassa in 2018 for the production of detergent i.e. Surf Excel for Hindustan Unilever Limited and commenced its operations from November 2019. The firm was able to generate revenues of Rs.51.71 crore in FY20 as the operations was commenced at the later stage of the year. Further, the manufacturing plant being in nascent stage has a bearing on the profitability and its cash flows during FY20. The firm reported EBITDA and PAT loss of around Rs.1.52 Cr. and Rs.3.45 Cr. respectively in FY20 due to negative operating leverage. However, as the management of the firm is expecting to break even in FY21 on back of stabilisation of the plant and healthy demand of the detergent.

- **Competitive and fragmented nature of industry**

The firm 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 Sensitivity

Not Applicable

Material covenants

None

Liquidity: Stretched

The firm has stretched liquidity marked by negative net cash accruals to its maturing debt obligations. The firm generated negative cash accruals of Rs.51.71 crore for FY20 while its maturing debt obligations were around Rs.2.00 crore for the same period. The firm's operations are moderately working capital intensive marked by Gross Current Asset (GCA) days of 93 days in FY20. The average utilization of the cash credit limits is around 50 percent in last six months ended December, 20. The firm maintains unencumbered cash and bank balances of Rs.0.27 crore as on 31, March, 2020. The current ratio of the firm stood low at 0.69 times as on 31 March, 20.

Outlook

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	51.71	-
PAT	Rs. Cr.	(3.45)	(0.55)
PAT Margin	(%)	(6.67)	-
Total Debt/Tangible Net Worth	Times	16.53	2.56
PBDIT/Interest	Times	(2.87)	(0.72)

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

Not Available

Any other information

Not Available

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- 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
03-January-2020	Cash Credit	Long Term	3.00	ACUITE B / Stable (Reaffirmed)
	Term Loan	Long Term	12.00	ACUITE B / Stable (Reaffirmed)
17-October-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 (Withdrawn)
Term Loan	Oct, 2018	9.25	Sep, 2025	12.00	ACUITE B (Withdrawn)

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About Acuité Ratings & Research:

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