Anuspaa Heritage Products Private Limited

November 22, 2021

Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	12.25	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB; Stable (Double B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	3.75	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable/ A Four ISSUER NOT COOPERATING*)	Revised from CARE BB; Stable / CARE A4 (Double B; Outlook: Stable / A Four) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	1.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Facilities	17.00 (Rs. Seventeen Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Anuspaa Heritage Products Private Limited to monitor the rating(s) vide e-mail communications/letters dated June 25, 2021, September 27, 2021 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Anuspaa Heritage Products Private Limited's bank facilities will now be denoted as **CARE BB-/CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised account of non-cooperation by AHPPL and CARE's efforts to undertake a review of the ratings outstanding. CARE views information availability risk as a key factor in its assessment of credit risk.

Detailed description of the key rating drivers

At the time of last rating on September 04, 2020 the following were the rating strengths and weaknesses:

Key Rating Weaknesses

Modest scale of operations coupled with low profit margins: The total operating income increased by 19.50% to Rs. 56.00 crore in FY20 as compared to Rs. 46.86 crore during FY19 on account of increase in receipt of orders and customers in the portfolio. However, the overall scale of operations continues to remain modest. Further, tangible net worth of the company remained low and the same has declined to Rs. 5.01 crore as on March 31, 2020 vis-à-vis Rs. 7.93 crore as on March 31, 2019 on account of deduction of goodwill of Rs. 3.99 crore from net worth base in FY20. The PBILDT margin of AHPPL has marginally declined to 4.42% during FY20 vis-à-vis 5.04% in FY19 on account of increase in employee cost, labour expenses and commission and brokerage expenses in FY20. Further PAT margin also slightly declined to 1.91% in FY20 as compare to 2.19% in FY19 with decline in PBILDT margin in FY20.

Moderate capital structure and debt coverage indicators: Capital structure of the company continued to remained moderate however, the same has deteriorated with gearing ratio reaching to 1.41x as on March 31, 2020 as compared to 0.98x as on March 31, 2019 due to decrease in net worth base owing to deduction of goodwill. Further, the capital structure is expected to deteriorate further with availment of new term loan and unsecured loans for on-going project and working

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*

**Issuer did not cooperate; Based on best available information* capital term loan to meet its increasing working capital requirements going forward. Debt coverage indicators continued to remain moderate though improved with total debt to gross cash accruals of 4.21x in FY20 vis-à-vis 4.59x in FY19 on account of decrease in debt level in FY20. Furthermore, the interest coverage ratio also improved to 3.75x during FY20 vis-à-vis of 2.95x during FY19 due to lower interest cost in FY20.

Working capital intensive nature of operations: Operations of the company continued to remain working capital intensive as majority of funds are stuck in receivables as company offers credit period of around one and half to two months thereby collection period to remained at 71 days in FY20 vis-à-vis 70 days in FY19 and inventory holding period remained at 44 days in FY20 vis-à-vis 48 days in FY19 as company has to keep stock of inventory to cater orders in timely manner. Company has debtors outstanding of Rs. 11.56 crore as on March 31, 2020 out of which Rs. 6.70 crore of debtors have been recovered. Further creditor's period remained at 56 days in FY20 vis-à-vis 42 days in FY19 as company receives credit period of one to one and half months from its raw material suppliers. Therefore, the operating cycle stood relatively high at 59 days in FY20 vis-à-vis 77 days in FY19.

Stretched liquidity position: The liquidity position remained stretched marked by tightly matched accruals to repay its debt obligations. Its average working capital limit utilization remained high at 84% during past 12 months ended July 2020. Further, free cash and bank balance remained low at Rs.0.03 crore as on March 31, 2020 (vis-à-vis Rs. 0.03 crore as on March 31, 2019) and investment in mutual funds of Rs. 0.05 crore as on March 31, 2020 and March 31, 2019. The current ratio and quick ratio stood low at 1.03x and 0.64x respectively as on March 31, 2020 (vis-à-vis 1.28x and 0.89x respectively as on March 31, 2019). Further cash flow from operation remained positive at 5.58 crore in FY20 (vis-à-vis positive cash flow from operation of Rs. 0.86 crore in FY19). The company had availed moratorium provided by RBI under COVID-19 pandemic situation.

Customer and supplier concentration risk: Company has long standing relationship with its customers and suppliers however; top five customers of the company contribute 50.66% to its total sales and top five raw material suppliers contribute 43.66% to total purchase of raw material cost.

Project execution and stabilization risk: Currently company has undertaken a capex wherein company is planning to add new machineries in the existing plants to increase its installed capacity by 50% to three lakh soaps per day. Execution of project is started in February 2020 and expected to be completed in October 2020. Total estimated cost of the project is Rs. 5.00 crore out of which Rs. 1.25 crore will be funded through promoter's contribution and rest Rs. 3.75 crore will be funded through term loan from bank which is already sanctioned and Rs. 1.10 crore has been disbursed towards purchase of machinery. Thus, going forward AHPPL's ability to complete the project in timely manner without any cost and time overrun shall be critical from credit perspective.

Raw material price fluctuation risk: Company's key raw material is soap noodles which is manufactured from palm oil fatty acid distillate (PFAD), and is directly linked to the global palm oil and crude oil prices. The price of palm oil has been on an increasing trend due to rising demand and rupee depreciation, there is limited scope for the company to increase its product prices due to intensifying competition. This has put pressure on the company's margins. However, the company is constantly introducing new variants of the products in the market that entail higher realization and improving its product mix so as to increase the share of its higher margin earning products in the total sales mix.

Presence in highly competitive and fragmented industry: Indian FMCG industry is marked by the presence of both organized and unorganized players across various segments and product categories. Intense competition in the FMCG sector will continue to impart pressure on the market position and operating efficiency of players in the industry. The products remain price sensitive and companies have to rely on an efficient supply chain management and distribution network to penetrate the various categories of markets and increase the sales volumes. AHPPL continues to face stiff competition in its key segments, with the entry of new players, including multinationals, introducing products at similar price points, targeted towards the rural areas and small towns.

Key rating Strengths

Long track record of operation and experienced promoters: AHPPL has long track record of operations of more than two decades in the business and Mr. Raakesh Bansal, Director and founder of AHPPL, has an experience of around 4 decades in the soap manufacturing business. He is also proprietor and partner in group companies Aneema Soaps and Aryaman Soap Industries which are engaged into distribution and manufacturing of soaps respectively. He is further supported by his wife Mrs. Anuradha Bansal, Director and Co-founder, who also has an experience of around 2 decades and together they look after the day to day operations of AHPPL.

Analytical approach: Standalone

Applicable Criteria:
Policy in respect of Non-cooperation by issuer
CARE's Policy on Default Recognition
Criteria on assigning outlook and credit watch to Credit Ratings
Financial ratios (Non-Financial Sector)
CARE's Methodology for Short-term Instruments
Rating Methodology- Manufacturing Companies

About the Company
Incorporated in 1999 by Mr. Raakesh Bansal, Anuspaa Heritage Products Private Limited (AHPPL) is a private limited company engaged into manufacturing of soaps. It operates out of its office in Vashi Navi Mumbai and operates a manufacturing unit at Solan, Himachal Pradesh with an installed capacity to manufacture two lakh soaps per day which is running at nearly 85% of capacity utilization.
The company primarily engages into contract manufacturing and job-work for its client base in the Fast- Moving Consumer Goods industry (constitutes ~90% of TOI during FY20) as well as manufactures under its own brands 'Ashwagandha, Vibhuti, Feyama', 'Niyamo' and 'Rakshak' soaps which are sold to super markets like Dmart, Avenue super market, various hotels, restaurants and hospitals across India (Constitutes ~10% of TOI during FY20).

Brief Financials (Rs. crore)	FY19 (A)	FY20 (Prov.)
Total operating income	46.86	56.00
PBILDT	2.36	2.48
PAT	1.03	1.07
Overall gearing (times)	0.98	1.41
Interest coverage (times)	2.95	3.75

A: Audited, Prov.: Provisional

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Disclosure of Interest of Independent/Non-Executive Directors of CARE: Not Applicable

Disclosure of Interest of Managing Director & CEO: Not Applicable

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

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

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	7.25	CARE BB-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit		-	-	-	1.00	CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	(September 2025)	3.77	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Working capital Term Loan		-	-	(June 2024)	1.23	CARE BB-; Stable; ISSUER NOT COOPERATING*
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	3.75	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	7.25	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (04-Sep-20)	1)CARE BB-; ISSUER NOT COOPERATING* (10-Jun-19)	-
2	Fund-based - LT-Term Loan	-	-	-	-	-	1)CARE BB-; ISSUER NOT COOPERATING* (10-Jun-19)	-
3	Fund-based - LT-Term Loan	-	-	-	-	-	1)CARE BB-; ISSUER NOT COOPERATING* (10-Jun-19)	-
4	Non-fund-based - ST-Letter of credit	ST	1.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (04-Sep-20)	1)CARE A4; ISSUER NOT COOPERATING* (10-Jun-19)	-
5	Fund-based - LT-Term Loan	LT	3.77	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (04-Sep-20)	-	-
6	Fund-based - LT-Working capital Term Loan	LT	1.23	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (04-Sep-20)	-	-
7	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST*	3.75	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable / CARE A4 (04-Sep-20)	-	-

** Long Term / Short Term*

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not available

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
3	Non-fund-based - ST-Letter of credit	Simple

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

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About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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