



RATING RATIONALE

05 Nov 2019

Sree Pushpam Industrie

Brickwork Ratings Reaffirms the ratings for the Bank Loan Facilities of Rs.10.84 Crs. of Sree Pushpam Industrie

Particulars:

Facilities **	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (Sep, 2018)	Present
Fund based	7.34	10.84	Long Term	BWR BB- (Stable)	BWR BB- (Stable) Reaffirmed
Total	7.34	10.84	Rs Ten Crores and Eighty Four Lakhs Only		

Note: Ad-hoc cash credit limit of Rs.1 Cr sanctioned to the firm is not included for the rating purpose.

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank Loan facilities is provided in Annexure-I&II

RATING ACTION / OUTLOOK

BWR believes the Sree Pushpam Industrie business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.



KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

KEY RATING DRIVERS

BWR has essentially relied upon the audited financial statements of Sree Pushpam Industrie of FY16, FY17, FY18 and provisional financial statements of FY19, publicly available information and information / clarifications provided by the firm's management. The rating draws strength from the vast business experience of the partners, established track of operations and comfortable debt protection metrics. However, the rating is constrained by the low tangible net worth, thin profit margins and high competition from other established players in the market.

Credit Strengths:

- **Experience of Management:** Mr.A.J.Saravanan and Ms.Uma Saravanan, partners have more than 15 years of experience in manufacturing of detergent cakes, washing powder, cleaning powder, dish wash bar etc
- **Comfortable Debt Protection Metrics:** ISCR and DSCR are at adequate levels at 8.46 times and 4.71 times respectively in FY18, indicating the ability of the firm to meet its debt obligations.
- **Improving conversion Cycle:** The conversion cycle has improved from 65 days in FY17 to 53 days in FY18. This is mainly attributed by the reduction in the days receivables.
- **Long Standing Relationship with customers:** Since the firm has been in existence from 1998, it has established long standing relationship with its customers

Credit Risks:

- **Low Net worth:** The tangible net worth is at Rs.3.81Cr in FY18 which is low considering the date of establishment of the firm.
- **Thin Profit Margins:** Profit margin is thin and has been declining since FY16. Net profit margin is at 3.09% in FY17, 1.79% in FY18 and 0.59% in FY19 (provisional)
- **Constitution of the entity as a partnership firm:** Sree Pushpam Industrie being a partnership firm, is exposed to inherent risk of capital withdrawal at the time of personal contingency which will affect its capital structure

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).



RATING SENSITIVITIES

Going forward, the ability of the firm to achieve projected revenue & profitability margins and manage liquidity would be key rating sensitivities.

Positive: The rating would be upgraded if the profitability margins and gearing levels improve.

Negative: The rating would be downgraded if there is a further decline in the net worth, debt protection metrics and profitability margins.

LIQUIDITY INDICATORS

Stretched

The liquidity of the firm is stretched marked with current ratio of 1.12 times in FY18, 23% decline from 1.42 times in FY17. The cash credit limits are utilized more than 90% for the last 4 months. The ISCR and DSCR are comfortable at 8.46 times and 4.71 times respectively in FY18. However, it is estimated to decrease to 2.76 times and 1.98 times respectively in FY19 (provisional).

FIRM PROFILE

Shree Pushpam Industrie, a partnership firm at Pondicherry, Tamil Nadu, was established in 1998 by late Mr.A. Jayaraj Nadar. Later, it was converted into a partnership firm with Mr.A.J.Saravanan and his wife, Ms.Uma Saravanan. They have more than 15 years of experience in the industry. In 2018, it was reconstituted with admission of Ms.Selvi Miruthika and Mr.Selvam Jayaraj as partners. The firm manufactures two brands of detergents viz., Ponvandu and 707.

Ponvandu is the first brand of detergent of Shree Pushpam Industrie, started in 1998 and 707 brand was introduced in the market in 2008. Ponvandu detergent caters to demand from states such as Tamil Nadu, Andhra and Kerala and 707 is primarily sold to customers in Karnataka.

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY 2017	FY 2018
Result Type		Audited	Audited
Operating Revenue	Crore	22.33	58.80
EBITDA	Crore	1.82	2.22
PAT	Crore	0.69	1.05
Tangible Net Worth	Crore	2.64	3.81
Total Debt / Tangible Net Worth	Times	1.11	2.60
Current Ratio	Times	1.46	1.12

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY: NA

RATING HISTORY FOR THE PREVIOUS THREE YEARS:

Facilities	Current Rating			Rating History
	Tenure	Amount (₹ Cr)	Rating	Sep 2018
Fund Based	Long Term	10.84	BWR BB- (Stable)	BWR BB- (Stable)



			Reaffirmed	
Total		10.84	INR Ten Crores and Eighty Four Lakhs Only	

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [Approach to Financial Ratios](#)
- [General Criteria](#)
- [Manufacturing Companies](#)

Analytical Contacts	Investor and Media Relations
<p>Priyanka R S Primary Analyst Board: +91 044 24663326 Ext: 107 priyanka.rs@brickworkratings.com</p> <p>R Varadarajan Assoc. Director– Ratings B : +91 044 24663326 varadarajan.r@brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>



Sree Pushpam Industrie
ANNEXURE I

Details of Bank Loan Facilities rated by BWR

Sl.No.	Name of the Bank	Type of Facilities	Long Term [₹ Cr]	Total [₹ Cr]
1.	Tamilnad Mercantile Bank	Cash Credit	10.00	10.00
2.		Term Loans	0.84	0.84
TOTAL				10.84

Total Rupees Ten Crores and Eighty Four Lakhs only.

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings: Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.



DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reason.