



Press Release

Safeco Hygiene Films Pvt Ltd

February 27, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned	Rating Action
1.	Long Term Fund Based Facility – Cash Credit	6.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Revised
2.	Long Term Fund Based Facility – Term Loan	2.22	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Revised
3.	Short Term Non Fund Based Facility – Bank Guarantee	1.05	IVR A4+ (IVR A Four Plus)	Revised
	Total	9.27		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings have been revised after taking into consideration the improvement in the company's financial risk profile in FY20 which has been supported by their growing list of reputed clientele supplementing their order book which has provided medium term revenue visibility along with the increased demand for hygiene films having applications in the healthcare industry.

The aforesaid rating revision to the bank facilities of the entity derives comfort from the extensive experience of the promoters in the industry, diversified and reputed client base comprising multinational companies and a comfortable financial profile. However, the rating strengths are partially offset by small scale of operations and customer and supplier concentration.



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Key Rating Sensitivities

Upward factors:

- Substantial and sustained improvement in revenues while maintaining EBITDA margin and debt protection metrics

Downward factors:

- Any decline in revenue and EBITDA margin leading to decline in debt protection metrics

Key Rating Drivers with detailed description

Key Rating Strengths

Extensive experience of the promoters in the industry

The promoters have extensive experience in the poly film industry and in managing the company's operations. Mr Subhash Chawra has an experience of over 35 years in the industry of plastics manufacturing along with Mr Hiren Chawra who has an experience of over 16 years in process development, manufacturing and marketing; their ability to introduce a wide range of products catering to the customers' varying requirements aids the business.

Diversified and reputed client base comprising multinational companies

The company has long-term association of more than 5 years with its customers, which result has resulted in repeat orders. The company supplies to reputed companies such as Kimberly Clark Corporation, Johnson & Johnson, among others. As per recent developments, the company has added Procter and Gamble (P&G) to their growing list of esteemed clientele.

Comfortable financial profile

The company has seen a 41.62% growth in top-line as it has increased from INR37.79 crore in FY19 to INR53.52 crore in FY20; supported by an increase in demand for hygiene products in the domestic as well as the international market. The capital structure also remains comfortable due to low funding requirements in the past three fiscals, their gearing ratio has improved from 1.23x in FY19 to 1.03x in FY20. Their coverage indicators have also improved, with interest coverage ratio improving from 1.74x in FY19 to 2.87x in FY20. The company has been able to achieve an EBITDA margin of 13.10% as on February 15, 2021 and are expecting the margins to improve between ~16%-18% by the end of the



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financial year; being supported by increased demand for hygiene films and an order book which provides good medium term revenue visibility.

Key Rating Weaknesses

Small Scale of Operations

The company's scale of operations remains small at present with revenues of INR53.52 crore in FY20. The limited profitability has kept the network at a moderate level amounting to INR19.23 crore in FY20.

Supplier and customer concentration

The top 5 suppliers of the company account for over 92% of the total purchases made in FY20 with their top 2 suppliers accounting for up-to 64% of the total purchases, indicating high concentration of suppliers. The company has big name clients such as Johnson & Johnson, Itochu India and Kimberly Clark; the company has had more than 40% of their revenues exposed to a single entity over the past three fiscals. Moreover, the company has an exposure of over 90% to their top 5 customers, indicating a high degree of customer concentration.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

Liquidity is adequate, with the company having a total outlay amounting to INR4.19 crore in FY20 as against gross cash accruals of INR8.34 crore leaving the company with an adequate cushion cover against any contingencies. Average utilisation of fund based working capital limits remains moderate at around 91% in the last twelve months ended July 2020.



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About the company

Safeco Hygiene Films Pvt Ltd is a private limited company incorporated on 11th Feb, 2012. The company's registered office and factory is located at Savli Industrial estate (GIDC), Vadodara, Gujarat. The company is engaged in the manufacture of Hygiene Films -Breathable Hygiene Film and Non-Breathable Hygiene Films. These films are majorly used in the production of diapers, sanitary napkins, adult diapers, medical drapes and gowns.

Financials (Standalone)*:

(INR crore)

For the year ended/ As On	31-03-2018 (Audited)	31-03-2019 (Audited)	31-03-20 (Audited)
Total Operating Income	34.34	37.79	53.52
EBITDA	4.43	6.02	12.02
PAT	1.04	-1.59	3.14
Total Debt	26.25	19.71	19.76
Tangible Net-worth	20.07	19.85	19.23
Ratios			
EBITDA Margin (%)	12.90	15.92	22.45
PAT Margin (%)	2.54	-4.10	5.81
Overall Gearing Ratio (x)	1.49	1.23	1.03

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Brickwork Ratings in their press Release dated on September 22, 2020 have classified the case under Issuer Not Cooperating status on account of non-submission of relevant information

Any other information: None



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Rating History for last three years:

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2020-21)				Rating History for the past 2 years	
		Type	Amount outstanding (INR crore)	Rating	Rating (PR dated September 16, 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Fund Based Facility – Cash Credit	Long Term	6.00	IVR BB+ Stable Outlook	IVR BB Stable Outlook	--	--
2.	Long Term Fund Based Facility – Term Loan	Long Term	2.22	IVR BB+ Stable Outlook	IVR BB Stable Outlook	--	--
3.	Short Term Non Fund Based Facility – Bank Guarantee	Short Term	1.05	IVR A4+	IVR A4	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility – Cash Credit	NA	NA	-	6.00	IVR BB+/ Stable Outlook
Long Term Fund Based Facility – Term Loan	NA	NA	Up to 2023	2.22	IVR BB+/ Stable Outlook
Short Term Non Fund Based Facility – Bank Guarantee	NA	NA	Less than 1 Year	1.05	IVR A4+