

Press Release

Suprabha Industries Limited

July 31, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 13.32 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE BB**) on the Rs.13.32 crore bank facilities of Suprabha Industries Limited. The outlook is '**Stable**'.

Incorporated in 1995, Suprabha Industries Limited (SIL) is a Lucknow-based company engaged in manufacturing of automobile parts for commercial vehicles, exclusively, Tata Motors. SIL is promoted by Mr. Devendra Kumar Mantri, Mrs. Tanuja Mantri and Mr. Shashankdhar Mantri among others. The automobile parts include Fuel Tanks, Silencers Spare, Wheel Carriers, Engine Cross Members to name a few. The manufacturing unit is located in Lucknow (Uttar Pradesh).

Key Rating Drivers

Strengths

- **Experienced management**

The promoters possess industry experience of nearly two decades in this industry. Acuité believes that the company will benefit from its experienced management which helps the company maintain long standing relations with reputed customers and suppliers, such as, Tata Steel Processing And Distribution Ltd, Posco India Holding Pvt. Ltd and Tata Steel Ltd among others.

- **Comfortable working capital operations**

SIL has comfortable working capital marked by Gross Current Assets (GCA) of 75 days in FY2018 (Provisional). This is on account of inventory holding of 56 days in FY2018 (Provisional) as against 41 days in FY2017 and collection period of 20 days in FY2018 (Provisional) as against 16 days in FY2017. The average cash credit utilisation for the past six months stood at ~85 percent. Acuité believes that SIL will continue to effectively manage its working capital cycle in order to maintain a stable credit profile.

Weaknesses

- **Modest scale of operations and customer concentration**

The operations of the company are moderate despite the company being in the line of business for more than two decades. The company generates its revenue entirely from the orders by Tata Motors. The revenue stood at Rs.52.85 crore for FY2017 as compared to Rs.52.77 crore for FY2016. Further, the revenue for FY2018 (Provisional) has declined to Rs.48.87 crore on account of fewer orders from TATA Motors during the year. Moreover, the company operates in a highly fragmented and competitive industry, thus limiting its bargaining power. However, the promoter's experience and relations with Tata Motors partially mitigates this risk. Acuité believes that customer concentration risk will be a key rating sensitivity.

- **Average Financial Risk Profile**

The financial risk profile of SIL is average marked by tangible net worth of Rs. 8.06 crore as on 31 March, 2018 (Provisional) as against Rs.7.68 crore as on 31 March, 2017. Gearing (Debt-equity) stood at 1.88 times as on 31 March, 2018 (Provisional) as against 2.24 times in the previous year. The total debt of Rs.15.18 crore as on 31 March, 2018 (Provisional) majorly comprises of term loan of Rs.9.35 crore, interest bearing unsecured loan of Rs.1.12 crore and short term borrowing of Rs.4.71 crore. Interest Coverage Ratio (ICR) stood at 2.90 times for FY2018 (Provisional) as against 2.46 times for FY2017. DSCR stood at 0.98 times for FY2018 (Provisional) as against 1.21 times for FY2017. Total outside Liabilities to Tangible Net Worth (TOL/TNW) stood at 2.73 times as on 31 March, 2018 (Provisional) as against 3.18 times as on 31 March, 2017. Acuité believes that the company's ability to improve its net worth along with debt protection metrics will remain key sensitivity.

Analytical Approach

Acuité has taken a standalone view of the financial and business risk profile of SIL to arrive at this rating.

Outlook: Stable

Acuité believes that SIL's outlook will remain 'Stable' as the company will benefit over the medium term from its experienced management and healthy working capital cycle. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues profitability while maintaining financial risk profile. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or higher than envisaged debt funded capex or deteriorating financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	48.87	52.85	52.77
EBITDA	Rs. Cr.	3.99	2.80	3.95
PAT	Rs. Cr.	0.20	0.57	-0.05
EBITDA Margin	(%)	8.17	5.30	7.48
PAT Margin	(%)	0.41	1.07	-0.09
ROCE	(%)	7.31	8.60	8.83
Total Debt/Tangible Net Worth	Times	1.88	2.21	2.08
PBDIT/Interest	Times	2.90	2.46	2.17
Total Debt/PBDIT	Times	3.58	3.99	3.66
Gross Current Assets (Days)	Days	75	71	70

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*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	4.25	ACUITE BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE BB / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.57	ACUITE BB / Stable

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About Acuité Ratings & Research:

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