

Press Release

Suprabha Industries Limited (SIL)

May 30, 2019

Rating Update



Total Bank Facilities Rated*	Rs. 19.32 Cr. (Enhanced from 13.32)
Long Term Rating	ACUITE BB / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 19.32 crore bank facilities of Suprabha Industries Limited (SIL). The outlook is '**Stable**'.

Lucknow-Based, Suprabha Industries Limited (SIL) was incorporated in 1995 by Mr. Devendra Kumar Mantri, Mrs. Tanuja Mantri and Mr. Shashankdhar Mantri among others. The company is primarily engaged in the manufacturing of automobile parts of commercial vehicles, exclusively for Tata Motors. The automobile parts comprises of Fuel Tanks, Silencers, Spare Wheel Carriers, Engine Cross Members to name a few.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced track record of operations and experienced management**

SIL was incorporated in 1986 by Mr. Devendra Kumar Mantri and Mrs. Tanuja Mantri, and has a long track record of operations. The promoters possess an experience of over three decades in the aforementioned industry. Backed by their experience they have been able to maintain long term relations with their customers, primary customer being Tata Motors Limited. Acuité believes 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.

- **Moderate Financial Risk Profile**

SIL has moderate financial risk profile marked by moderate net worth, and healthy debt protection metrics. Company's net worth stood at Rs. 9.45 crore as on March 31, 2019 (Provisional) as against Rs. 8.75 crore as on March 31, 2018, owing to comfortable accretion to reserves due to moderate profitability. Gearing levels (debt-to-equity) stood at 1.59 times as on March 31, 2019 (Provisional) as against 1.81 times as on March 31, 2018. Further, the interest coverage ratio stood at 3.39 times for FY2019 (Provisional) as compared to 2.28 times for FY2018. Total outside liabilities to total net worth (TOL/TNW) stood at 2.78 times as on FY2019 (Provisional) vis-à-vis 2.91 times as on FY2018. Acuité believes that financial risk profile of the company is likely to remain moderate over the medium term on account of moderate net worth and healthy debt protection metrics and that the company's ability to improve its gearing levels will remain key sensitivity.

- **Comfortable Working Capital Operations**

SIL has comfortable working capital marked by gross current assets (GCA) of 70 days in FY2019 (Provisional). This is on account of inventory holding of 42 days in FY2019 (Provisional) as against 63 days in FY2018 and debtors collection period of 19 days in FY2019 (Provisional) as against 23 days in FY2018. The average cash credit utilization for the past six months stood at ~82 percent. Acuite believes that SIL will continue to effectively manage its working capital cycle on account of level of inventory to be maintained and the credit given to its customers.

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 three decades. The company generates its revenue primarily from the orders by Tata Motors. The revenue stood at Rs.75.14 crore for FY2019 (Provisional) as compared to Rs.49.76 crore for FY2018. Acuite believes that customer concentration risk will be a key rating sensitivity.

- **Highly competitive and fragmented nature of industry**

The company is operating in a highly competitive and fragmented industry with large number of organized and unorganized players present in the market which limits the bargaining power of the company. However the risk is mitigated to an extent on account of established track record of operations, experienced management and long standing relationship with Tata Motors.

Liquidity position

The company has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 2.91 crore for FY2019 (Provisional) while its maturing debt obligations were Rs. 1.35 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 3.00 crore to Rs. 4.50 crore during 2020-22 against repayment obligations in the range of around Rs.0.95 crore to Rs.1.17 crore. The company's working capital operations are comfortable marked by gross current asset (GCA) days of 70 days for FY2019 (Provisional). The company maintains unencumbered cash and bank balances of Rs. 2.28 crore as on 31 March 2019 (Provisional). The current ratio stood at 0.85 times as on 31 March 2019 (Provisional). Acuite believes that the liquidity of the company is likely to remain moderate over the medium term on account of moderate cash accrual against no major debt repayments over the medium term.

Outlook: Stable

Acuite believes that SIL will maintain a 'Stable' outlook over the medium term on the back of its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than- expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	75.14	49.76	52.99
EBITDA	Rs. Cr.	4.39	3.23	2.96
PAT	Rs. Cr.	0.51	0.03	0.56
EBITDA Margin	(%)	5.84	6.50	5.58
PAT Margin	(%)	0.68	0.06	1.06
ROCE	(%)	8.42	7.00	8.63
Total Debt/Tangible Net Worth	Times	1.59	1.81	2.24
PBDIT/Interest	Times	3.39	2.28	2.44

Total Debt/PBDIT	Times	3.39	4.06	4.03
Gross Current Assets (Days)	Days	70	94	79

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Up to last three years)

Date	Name of the instrument/ facilities	Term	Amount (Rs. Crore)	Ratings/ Outlook
July 31, 2018	Cash Credit	Long Term	4.25	ACUITE BB/ Stable (Assigned)
	Term Loans	Long Term	8.50	ACUITE BB/ Stable (Assigned)
	Proposed	Long Term	0.57	ACUITE BB/ 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	4.25	ACUITE BB / Stable (Reaffirmed)
Term loan	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE BB / Stable (Reaffirmed)
Proposed Bank Facility-Long term	Not Applicable	Not Applicable	Not Applicable	4.97	ACUITE BB / Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.60	ACUITE A4+ (Assigned)
Proposed Bank Facility-Short Term	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Assigned)

Contacts

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About Acuite Ratings & Research:

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