

Press Release

Suprabha Industries Limited

July 07, 2021



Rating Reaffirmed

Total Bank Facilities Rated	Rs.19.32 crore
Long Term Rating	ACUITE BB-/ Stable (Reaffirmed)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

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

The rating on SIL takes into account its experienced management and long track record of operations. These strengths are however, partly offset by its moderate financial risk profile and decline in revenues.

Incorporated in 1995, Suprabha Industries Limited (SIL) is Lucknow based company engaged in manufacturing of automobile parts mainly for commercial vehicles for Tata Motors Limited's plant in Lucknow. Tata Motors accounts about 60 percent of their revenue. Apart from Tata Motors, they cater to customers including Omax Auto Limited and Claas India Private Limited. The company is promoted by Mr. Devendra Kumar Mantri, Mrs. Tanuja Mantri and Mr. Shashankdhar Mantri. The manufacturing unit is situated in Lucknow spread over 5 acres of land.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of SIL while arriving at the rating.

Key Rating Drivers

Strengths

- **Extensive presence in the industry**

SIL was established in 1995 and the promoters have more than two decades of experience of the in manufacturing of automobile parts for commercial vehicle. The day to day operations are looked after by the directors Mr. Devendra Kumar Mantri, Mrs. Tanuja Mantri and Mr. Shashankdhar Mantri. Acuité believes the established their long presence in the industry has enabled SIL to develop a long standing healthy relationship with its key customer TATA Motors Limited and suppliers such as Tata Steel Processing and Distribution Limited, Tata Steel Limited and others which will continue to support the business risk profile over the medium term.

Weaknesses

- **Moderate financial risk profile**

The financial risk profile continues to remain moderate on account of relatively low net worth, moderate gearing and debt protection measures. The net worth of the company stood at Rs.9.34 crores as on March 31, 2021(Prov) against Rs.9.29 crores as on March 31, 2020. The company has gearing of 1.30 times as on March 31, 2021(Prov) against 1.26 times as on March 31, 2020. The total debt of Rs.12.13 crores as on March 31, 2021(Prov) comprises of working capital loan of Rs.6.17 crores, current maturing obligation of Rs.2.77 crores, unsecured loans of Rs.1.68 crores and long term debt of Rs1.51 crores. The moderate debt protection measures is marked by Interest Coverage Ratio(ICR) which stood at 2.69 times in FY2021(prov) compared to 3.13 times in FY2020 and Debt Service Coverage Ratio(ICR) which stood at 0.78 times in FY2021 as against 0.96 times in FY2020. Total Outside Liabilities/Tangible net worth (TOL/TNW) stood at 1.84 times as on March 31, 2021(Prov) compared to 2.30 times as on March 31, 2020. Acuité believes that financial risk profile of the company is likely to remain at modest levels over the medium term backed by steady cash accruals and no

major capex plans. The company's ability to improve its gearing levels will remain key sensitivities.

• Sharp decline in revenues

The revenue of the company has declined to Rs.35.95 crore in FY2020 as compared to Rs.75.11 crore in FY2019. This significant decline in operating revenue is mainly due to change in vehicle emission norms from Bharat Stage IV to Bharat Stage VI, leading to lesser order received from TATA Motors Limited. Further the revenue decreased to Rs.17.99 crores in FY2021 (Provisional) as the automobile sales had been impacted due to the slowdown in the economy caused by the Covid-19 pandemic. Lower demand from the automotive original equipment manufacturers (OEMs) and subdued overseas demand have impacted revenues of SIL during the year. Acuité believes that the company's ability to increase their revenue in the medium term would be key a rating sensitivity.

Rating Sensitivity

- Growth in scale of operations
- Improvement in financial risk profile

Material Covenants

None

Liquidity Profile: Stretched

The liquidity position of company is stretched marked by low unencumbered cash and bank balance stood at Rs.0.10 crore as on March 31, 2020 compared to Rs.2.40 crore as on March 31, 2019. The company generated cash accruals of Rs.1.91 crores in FY2021 (Prov) against its repayment obligation of Rs.2.77 crores in the previous year. SIL continues to enjoy the financial flexibility from its promoters for timely servicing of its debt. The current ratio of the company stood low at 0.62 times as on March 31, 2020 compared to 0.79 times as on March 31, 2019. The bank limit is utilized at 89 per cent for six months ended March 2021. The company has availed covid loan of Rs.3.29 crores. Hence, Acuité believes that this short term funding will ease the liquidity position of the company over the medium term.

Outlook: Stable

Acuité believes that SIL's outlook will remain 'Stable' and the company will benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues, profitability while improving their 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	FY20(Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	35.95	75.11
PAT	Rs. Cr.	0.02	0.52
PAT Margin	(%)	0.07	0.69
Total Debt/Tangible Net Worth	Times	1.26	1.61
PBDIT/Interest	Times	3.13	3.50

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

Not applicable

Any other information

Not Applicable

Applicable Criteria

- Manufacturing Entities – <https://www.acuite.in/view-rating-criteria-59.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition – <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
28-Jan-2021	Cash Credit	Long Term	4.25	ACUITE BB- (Downgraded and Indicative)
	Term Loan	Long Term	8.50	ACUITE BB- (Downgraded and Indicative)
	Proposed bank facility	Long Term	4.97	ACUITE BB- (Downgraded and Indicative)
	Bank Guarantee	Short Term	0.60	ACUITE A4 (Downgraded and Indicative)
	Proposed bank facility	Short Term	1.00	ACUITE A4 (Downgraded and Indicative)
30-May-2019	Cash Credit	Long Term	4.25	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long Term	8.50	ACUITE BB/Stable (Reaffirmed)
	Proposed bank facility	Long Term	4.97	ACUITE BB/Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.60	ACUITE A4+ (Assigned)
	Proposed bank facility	Short Term	1.00	ACUITE A4+ (Assigned)
31-July-2018	Cash Credit	Long Term	4.25	ACUITE BB/Stable (Assigned)
	Term Loan	Long Term	8.50	ACUITE BB/Stable (Assigned)
	Proposed bank facility	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.) Crore	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.25	ACUITE BB-/Stable (Reaffirmed)
Term Loan	Not Available	Not Available	Not Available	14.47	ACUITE BB-/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.60	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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