

**Press Release**  
**Suprabha Industries Limited**

**November 08, 2022**



**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	19.32	ACUITE BB-   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	19.32	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has reaffirmed the long-term rating of '**ACUITE BB-' (read as ACUITE double B minus)** to the Rs.19.32 Cr bank facilities of Suprabha Industries Limited (SIL). The outlook remains '**Stable**'.

**The rationale for the rating**

The rating factors the improvement in the scale of operations. The rating also considers the reputed clientele base, experienced management and the company's long presence in the industry. These strengths are, however, offset by the company's moderate financial risk profile, working capital intensive nature of operations and the exposure to the volatile raw material prices.

**About the Company**

Incorporated in 1995, Suprabha Industries Limited (SIL) is based in Lucknow and is engaged in the manufacturing of automobile parts of commercial vehicle exclusively for Tata Motors' plant in Lucknow. The company is headed by Mr. Devendra Kumar Mantri, Mrs. Tanuja Mantri and Mr. Shashankdhar Mantri. The manufacturing unit is located in Lucknow.

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of SIL to arrive at the rating.

**Key Rating Drivers**

**Strengths**

- Long operational track record and experienced management

SIL has a long track record of operations of over two decades and has an extensively experienced management with more than two decades of industry knowledge. The company is headed by Mr. Devendra Kumar Mantri, Mrs. Tanuja Mantri and Mr. Shashankdhar Mantri. Acuite believes that the experienced promoters and the company's long standing in the industry will continue to aid the company in maintaining healthy relations with its reputed customers and suppliers.

- **Improvement in the operating income in FY2022**

SIL has achieved improvement in FY2022 and has achieved revenues of Rs.41.11 Cr in FY2022 as compared to revenues of Rs.14.64 Cr in FY2021. The improvement in the operating revenues is due to increase in the demand and orders from the customers and the timely fulfilment of such over the same period. The clients of SIL are Tata Motors, Omax Auto Limited and Claas India Private Limited. Moreover, the company has generated revenues of Rs.25.02 till September, 2022 (provisional). Acuité believes that, going forward the growth in scale of operations will be key monitorable.

### **Weaknesses**

- **Moderate financial risk profile**

The company's moderate financial risk profile is marked by relatively low but improving net worth base, moderate gearing and healthy debt protection metrics. The tangible net worth (TNW) of the company increased to Rs.16.23 Cr as on March 31, 2022 from Rs.10.50 Cr as on March 31, 2021. Gearing of the company stood at 1.01 times as on March 31, 2022 as against 1.35 times as on March 31, 2021. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 1.94 times as on March 31, 2022 as against 2.27 times as on March 31, 2021. The healthy debt protection metrics of the company is marked by Interest Coverage Ratio (ICR) at 2.67 times as on March 31, 2022 and Debt Service Coverage Ratio (DSCR) at 2.14 times as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.13 times as on March 31, 2022. Acuité believes that going forward the financial risk profile of the company will remain moderate over the medium term, in the absence of any major debt funded capex plans.

- **Working capital intensive nature of operations**

The working capital intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 225 days as on 31st March 2022 as compared to 381 days as on 31st March 2021. The high GCA days are on account of high inventory period. The inventory holding stood at 137 days as on 31st March 2022 as compared to 289 days as on 31st March 2021. The debtor period stood moderate at 66 days as on 31st March 2022 as compared to 120 days as on 31st March 2021. Acuité believes that the working capital operations of the firm will remain almost at similar levels as evident from the high inventory levels over the medium term.

- **Fluctuating profitability**

The operating margin of SIL declined to 8.57 per cent in FY2022 as compared to 17.37 per cent in FY2021. The PAT margin on the other hand recovered to 0.25 per cent in FY2022 as against losses of 5.44 per cent as on FY2021. The ROCE levels stood at 5.41 per cent in FY2022 as against 1.30 per cent in FY2021. Acuité believes that the company's ability to increase their profitability margins over the medium term would be a key rating sensitivity.

### **Rating Sensitivities**

- Increase in the operating income
- Elongation in working capital cycle

### **Material covenants**

None

### **Liquidity Position: Adequate**

The company's liquidity is adequate marked by steady net cash accruals of Rs.2.17 Cr as on March 31, 2022 against long term debt repayment of only Rs.0.30 Cr over the same period. The cash and bank balances of the company stood at Rs.2.41 Cr as on March 31, 2022 as compared to Rs.0.95 Cr as on March 31, 2021. The current ratio stood moderate at 1.04 times

as on March 31, 2022 as compared to 0.88 times as on March 31, 2021. However, the fund based limit utilisation is at 70 per cent over the six months ended September, 2022. The working capital management of the company is intensive in nature marked by Gross Current Assets (GCA) of 225 days as on 31st March 2022 as compared to 381 days as on 31st March 2021. Acuite believes that going forward the company will maintain adequate liquidity position due to the gradually improving cash accruals.

### Outlook: Stable

Acuite believes that the outlook on SIL will remain 'Stable' over the medium term on account of the long track record of operations, experienced management and improvement in the operating income. The outlook may be revised to 'Positive' in case of significant growth in revenue or profit margins from the current levels. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or profitability margins, deterioration in financial risk profile or further elongation in its working capital cycle.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	41.11	14.64
PAT	Rs. Cr.	0.10	(0.80)
PAT Margin	(%)	0.25	(5.44)
Total Debt/Tangible Net Worth	Times	1.01	1.35
PBDIT/Interest	Times	2.67	1.81

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
26 Sep 2022	Bank Guarantee	Short Term	0.60	ACUITE A4 ( Issuer not co-operating*)
	Term Loan	Long Term	14.47	ACUITE BB- ( Issuer not co-operating*)

	Cash Credit	Long Term	4.25	ACUITE BB- ( Issuer not co-operating*)
07 Jul 2021	Bank Guarantee	Short Term	0.60	ACUITE A4 (Reaffirmed)
	Term Loan	Long Term	14.47	ACUITE BB-   Stable (Reaffirmed)
	Cash Credit	Long Term	4.25	ACUITE BB-   Stable (Reaffirmed)
28 Jan 2021	Bank Guarantee	Short Term	0.60	ACUITE A4 (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	4.97	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	4.25	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	8.50	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Short Term	1.00	ACUITE A4 (Downgraded and Issuer not co-operating*)
30 May 2019	Bank Guarantee	Short Term	0.60	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Long Term	4.97	ACUITE BB   Stable (Reaffirmed)
	Proposed Bank Facility	Short Term	1.00	ACUITE A4+ (Assigned)
	Term Loan	Long Term	8.50	ACUITE BB   Stable (Reaffirmed)
	Cash Credit	Long Term	4.25	ACUITE BB   Stable (Reaffirmed)
31 Jul 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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Small Industries Development Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE BB-   Stable   Reaffirmed
Small Industries Development Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	11.32	ACUITE BB-   Stable   Reaffirmed

## Contacts

Analytical	Rating Desk
Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:pooja.ghosh@acuite.in">pooja.ghosh@acuite.in</a>  Geeta Karira Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:geeta.karira@acuite.in">geeta.karira@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.