



Press Release
Suprabha Industries Limited
January 31, 2024
Rating Upgraded

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

Rating Rationale

Acuite has upgraded the long term rating to **'ACUITE BB' (read as ACUITE double B)** from **'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'**.

Rationale for Upgrade

The rating takes into cognizance the steady business risk profile of the company majorly driven by increase in revenue. The company's revenue increased to Rs 72.06 Cr in FY2023 as against Rs 41.11 Cr in FY2022. The increase in revenue in FY2023 is because the company could command better pricing for the finished goods. Furthermore, the company also started manufacturing load body of the trucks which have higher realisation in there, generating a revenue.

The rating also factors in the average financial risk profile marked by improving net worth, moderate gearing and comfortable debt protection metrics and steady scale of operations. The liquidity position of the company is adequate, which is reflected in sufficient net cash accruals, small term debt repayments. The rating also draws comfort from the established track record of operations and experienced management. Furthermore, the working capital cycle of the company has also improved.

However, these strengths are partially offset by the customer concentration risk and the highly competitive and fragmented nature of industry

About the Company

Incorporated in 1995, Suprabha Industries Limited (SIL) is based in Lucknow with registered office in Kolkata and is engaged in the manufacturing of automobile parts of commercial vehicle for Tata Motors Ltd's 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. The Company has also forayed into manufacturing e-rickshaws under the brand name of 'Texaa'.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Established track record of operations and experienced management

Established in 1995, SIL is backed by experienced management of over two decades of

industry knowledge. The company is headed by Mr. Devendra Kumar Mantri, Mrs. Tanuja Mantri and Mr. Shashankdhar Mantri. Acuité believes that the experienced promoters and the company's long standing position in the industry will continue to aid the company in maintaining healthy relations with its reputed customers and suppliers.

Steady scale of operations

The company's revenue increased to Rs 72.06 Cr in FY2023 as against Rs 41.11 Cr in FY2022, thereby registering an y-o-y growth of 57%. Further, the company has achieved revenues of around Rs.70.00 Cr upto January 2024 (Provisional). Almost 85% of the off-takes of the Company are to Tata Motors Ltd and Omax Autos Ltd which provide them regular orders. The increase in revenue in FY2023 is because the company could command better pricing for the finished goods. Furthermore, the company also started manufacturing load body of the trucks which have higher price realisation, generating an incremental revenue of Rs. 35.00-40.00 Cr annually. Furthermore, the Company has added E-Rickshaw Toto by the brand name of 'Texaa' in their product portfolio from March 2021 onwards. Being a key supplier to Tata Motors Ltd and the further endeavours to increase the product profile is expected to generate better revenues for the Company over the medium term.

Average Financial Risk Profile

The financial risk profile of the company is average marked by improving net worth, moderate gearing and comfortable debt protection metrics. The tangible net worth of the company stood at Rs.17.92 Cr as on FY2023 as compared to Rs.16.23 as on FY2022 due to accretion to reserves and influx of equity capital over last 3 years. The gearing of the company stood moderate at 1.20 times as on FY2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.99 times as on FY2023. The debt protection metrics of the company remain comfortable marked by Interest coverage ratio (ICR) of 3.52 times and debt service coverage ratio (DSCR) of 3.31 times for FY2023. The net cash accruals to total debt (NCA/TD) stood at 0.19 times in FY2023. Although the operating margin of SIL declined to 7.18 per cent in FY2023 as compared to 8.57 per cent in FY2022 mainly due to limited bargaining power of the Company but the accruals are expected to remain comfortable to service the debt obligations. The PAT margin on the other hand recovered to 2.00 per cent in FY2023 as against losses of 0.25 per cent as on FY2022 and (5.44) per cent as on FY2021. The ROCE levels stood at 10.02 per cent in FY2023 as against 5.41 per cent in FY2022.

Improvement in working capital cycle

The working capital requirement of the company has improved marked by Gross Current Assets (GCA) of 145 days for FY2023 as compared to 225 days for FY2022. The GCA days has improved mainly on account of improved receivables days and inventory days. The debtor period stood at 60 days as on FY2023 as compared to 66 days as on FY2022. The inventory days of the company stood at 70 days in FY2023 as compared to 137 days in FY2022. Against this, the Company enjoys substantial credit from its suppliers which stood at 72 days as on FY2023.

Acuité believes that the working capital operations of the company will remain at the similar levels over the medium term.

Weaknesses

Customer Concentration Risk

SIL generates almost 85% of its revenues from supplying auto Components to Tata Motors Ltd and Omax Autos Ltd. This induces customer concentration risk and limits the bargaining power against these players. In the absence of any fixed contractual agreement with them, the Company remains exposed to the risks related to the changes in procurement plans of its customers and which might impact its revenue profile.

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 Ltd.

Rating Sensitivities

- Growth in revenue along with improvement in profitability margins
- Elongation in working capital cycle

Liquidity Position Adequate

The company has adequate liquidity marked by adequate net cash accruals of Rs 4.09 Cr against term debt repayment of Rs.2.95 Cr during that period. The cash and bank balance stood at Rs. 2.87 Cr for FY 2023. Further, the current ratio of the company stood comfortable at 1.12 times in FY2023. The working capital cycle of the company has also improved as reflected from Gross Current Assets (GCA) of 145 days for FY2023 as compared to 225 days for FY2022. The bank limit of the company has been ~83.00 percent utilized for the last six months ended in December 2023. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of cash accruals which would remain sufficient to repay the term debt repayments and modest current ratio in business over the medium term.

Outlook: Stable

Acuité 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 or improved financial risk profile or diversification of its customer profile. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or profitability margins, deterioration in financial risk profile or elongation in its working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	72.06	41.11
PAT	Rs. Cr.	1.44	0.10
PAT Margin	(%)	2.00	0.25
Total Debt/Tangible Net Worth	Times	1.20	1.01
PBDIT/Interest	Times	3.52	2.67

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Nov 2022	Cash Credit	Long Term	8.00	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	11.32	ACUITE BB- Stable (Reaffirmed)
26 Sep 2022	Cash Credit	Long Term	4.25	ACUITE BB- (Issuer not co-operating*)
	Term Loan	Long Term	14.47	ACUITE BB- (Issuer not co-operating*)
	Bank Guarantee	Short Term	0.60	ACUITE A4 (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*)
	Cash Credit	Long Term	4.25	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	4.97	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Short Term	1.00	ACUITE A4 (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	8.50	ACUITE BB- (Downgraded and Issuer not co-operating*)

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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.00	ACUITE BB Stable Upgraded
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.29	ACUITE BB Stable Upgraded
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Dec 2026	Simple	1.15	ACUITE BB Stable Upgraded
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Jun 2030	Simple	6.80	ACUITE BB Stable Upgraded
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Nov 2023	Simple	0.09	ACUITE BB Stable Upgraded
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Sep 2023	Simple	0.33	ACUITE BB Stable Upgraded
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Feb 2024	Simple	0.35	ACUITE BB Stable Upgraded
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 May 2024	Simple	0.28	ACUITE BB Stable Upgraded
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Feb 2025	Simple	0.70	ACUITE BB Stable Upgraded
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Dec 2025	Simple	0.44	ACUITE BB Stable Upgraded
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Jul 2026	Simple	0.89	ACUITE BB Stable Upgraded

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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.

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