



Press Release
SUPERIOR INDUSTRIES LIMITED
June 28, 2024
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	123.48	ACUITE BBB- Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	123.48	-	-

Rating Rationale

Acuite has upgraded its long-term rating to **'ACUITE BBB-' (read as ACUITE Triple B Minus)** from **'ACUITE BB-' (read as ACUITE Double B Minus)** on the Rs. 123.48 Cr. bank facilities of Superior Industries Limited (SIL). The outlook remains **'Stable'**.

Rationale for rating Upgrade

The upgradation in rating, takes into consideration the improvement in scale of operating revenue in FY 2024(Prov.). SIL has been able to grow its revenue in FY 2024(Prov.) on the back of continuous and repetitive orders from its customers by recording an operating income of Rs. 341.37 Cr. in FY 2024(Prov.) (excluding the excise duty) as against Rs. 199.20 Cr. in FY 2023 (excluding the excise duty); a growth of 71.37 percent. Further, the rating factors in the support from group entities in the form of corporate guarantee and funding support. The rating also considers the established track record of operations with experienced management.

Going ahead, the company's ability to improve its scale of operations while improving its operating profitability over the medium term will continue to remain a key rating sensitivity factor.

About the Company

Superior Industries Limited (SIL) was incorporated in 1998 by Mr. Pradeep Agarwal and is engaged in the manufacturing and bottling of alcohol. It started its operations by taking over a beer manufacturing unit of United Breweries (UB) Group in Faridabad and were engaged in the bottling of Kingfisher beer. Later in year 2003, SIL took over an alcohol manufacturing unit in Bareilly (U.P) and in 2016, the company sold its Faridabad unit. As of September, 2021, SIL is operating through its Bareilly unit and is engaged into manufacturing of molasses-based Country Liquor, Ethanol and IMFL. Currently, SIL has a licensed molasses-based capacity of kilo litre per day (74 KLPD) with installed capacity of 30 KLPD of Ethanol unit and 67 KLPD of ENA (Extra Neutral Alcohol) unit.

About the Group

Superior Group (SG), promoted by Mr. Pradeep Agarwal has a franchisee bottling agreement with CocaCola India for manufacturing and distribution of its soft drinks, juices, and packaged water for a period of 29 years. Superior group has its presence in Vidarbha and Nagpur region in Maharashtra through Superior Drinks Private Limited (SDPL), Chhattisgarh through Narmada Drinks Private Limited (NDPL), Mahakoshal and Jabalpur region in Madhya Pradesh through Udaipur Beverages Limited (UBL) and Aurangabad region in Maharashtra through Indo European Breweries Limited (IEBL).

Unsupported Rating

Analytical Approach

For arriving at this rating, Acuité has considered the standalone business and financial risk profile of the Superior Industries Limited and subsequently notched up the standalone rating by factoring in support based on Corporate Guarantee from Udaipur Beverages Limited (CRISIL BBB+/Stable), and, unconditional and irrevocable personal guarantee of Mr. Pradeep Agarwal. The rating of SG will be central to the rating of SIL and any further revision in the rating of SG will entail revision in the rating of SIL.

Key Rating Drivers

Strengths

Established track record of operation in Uttar Pradesh (U.P) and experience promoters in Beverage and alcohol Industry

SIL was incorporated in 1998 as a private limited company. The company has established presence in the manufacturing and bottling of liquor business of more than two decades leading to longstanding relations with its customers and suppliers. The promoter of the company, Mr. Pradeep Agarwal has extensive experience in the beverages industry since 1990's as he initially started with Coca-Cola India through the franchise agreement for bottling and distribution of its soft drinks, juice and packaged drinking water. The top management is ably supported by a well-qualified and experienced second line of management. The extensive experience of the promoters has helped company to grow, which can be seen through increase in revenues in FY 2024(Prov.) which stood at Rs. 341.37 Cr. (excluding the excise duty) as against Rs. 199.20 Cr. in FY 2023. SIL's management focus is on the country liquor segment as U.P. is one of the major market in the country for the product. Acuité believes that the promoter's extensive industry experience in beverage and alcohol industry, established relationships with its customers and suppliers, ongoing capex will aid SIL's business risk profile over the medium term.

Support from group entities

Superior Group and Superior Industries Limited are being promoted by Mr. Pradeep Agarwal. Superior group consist of Superior Drinks Private Limited, Narmada Drinks Private Limited, Indo European Breweries Limited, and Udaipur Beverages Limited and are engaged in processing and bottling of soft drinks and packaged water for Coca-Cola India. SIL has received funding support in the form of equity capital from Superior Group and the promoter. Further, Udaipur Beverages Limited has extended Corporate Guarantee to the banking institution for the banking facilities availed and personal guarantee has been given by Mr. Pradeep Agarwal to the banking institution.

Acuité derives comfort from the guarantee of promoter and Corporate Guarantee extended by Udaipur Beverages Limited.

Low customer and supplier concentration risk in revenue profile

SIL has been successfully able to diversify its geographical coverage by catering to the demand of domestic customers across various districts in U.P. None of the customers individually have contributed more than 20 percent to the total sales of the company in FY 2024(Prov.). The current suppliers are associated with the operations of the firm for nearly 3-10 years now. None of the suppliers individually has contributed more than 20 percent to the total purchases of the company. Top 10 suppliers of the company have been contributing nearly 42 percent of the total purchases in a given financial year.

Acuité believes that SIL has low risk towards its revenue profile in terms of customer and supplier concentration.

Weaknesses

Moderate financial risk profile

SIL's financial risk profile is moderate, marked by a moderate network, gearing and debt protection metrics. The net worth of the company stood moderate at Rs. 17.50 Cr. as on 31 March, 2024(Prov.) as against Rs. 20.59 Cr. as on 31 March, 2023. The gearing level (debt-equity) of the company stood at 7.60 times as on 31 March, 2024(Prov.) as against 7.02 times

as on 31 March, 2023. TOL/TNW (Total outside liabilities/Total net worth) has marginally deteriorated and stands high at 11.36 times as on 31 March, 2024(Prov.) against 15.94 times in previous year of FY 2023. The total debt of Rs. 133.00 Cr. as on 31 March, 2024(Prov.) consists of long-term debt of Rs. 41.86 Cr, USL from promoters/relatives/others of Rs. 65.52 Cr, short-term debt of Rs. 3.82 Cr. and maturing portion of long term borrowings of Rs. 21.80Cr. NCA/TD (Net cash accruals to total debt) stands low at 0.18 times in FY 2024(Prov.) as against 0.10 times in FY 2023. Debt/EBITDA (Total debt to EBITDA) stands at 3.63 times in FY 2024(Prov.) as against 6.49 times in FY 2023. The PAT margins of the company declined to negative 1.03 per cent in FY 2024(Prov.) against Negative 0.22 per cent in FY 2023 . The interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood at 2.76 times and 1.04 times respectively in FY 2024(Prov.) as against 3.15 and 1.26 times respectively in the previous year of FY 2023.

Acuité expects the financial risk profile to remain moderate over the medium to long term period on account of improvement in scale of operations and moderately leveraged capital structure on account of debt-funded capex plans.

Exposure to high regulatory risk

Indian liquor industry is a highly government regulated industry, with regulations ranging from licensing, production, distribution, inter-state exports, raw material availability and advertisements. There have been continuous regulatory changes in terms of state government's policies towards liquor consumption. The industry is expected to remain highly regulated by the government going forward, exposing the business risk profile to adverse regulatory changes. Furthermore, players within the industry are susceptible to high excise duties. Acuité believes that any government regulation could have significant impact on the operating income and profitability of the company.

Rating Sensitivities

- Significant and sustainable improvement in the scale of operations
- Timely execution of capex project underway
- Any deterioration in working capital cycle and liquidity profile of the company.

Liquidity Position

Adequate

The company's liquidity is adequate marked by net cash accruals stood at Rs 23.35 Cr. as on March 31, 2024(Prov.), as against Rs. 21.80 Cr. debt repayment over the same period. The Current Ratio stood at 0.80 times as on 31 March, 2024(Prov.) against 0.86 in previous year FY 2023 and the fund based limit remains utilized at around 81.33 percent over the 6 months ended May, 2024. The company maintained cash and bank balances of Rs. 12.70 Cr. as on March 31, 2024(Prov.), as compared to Rs. 0.16 Cr. as on March 31, 2023. The company has fixed deposit of Rs. 12.00 Cr. as on March 31, 2024(Prov.).

Outlook: Stable

Acuité believes that SIL will continue to benefit over the medium to long term on account of long track record of operations, experienced management in the industry, capex underway for set-up of additional plant. The outlook may be revised to 'Positive', in case of sustainable improvement in scale of operations and improvement in realizations from products offered by the company leading to higher-than-expected revenues and profitability with improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case SIL registers lower-than-expected revenues and profitability or any significant stretch in its working capital management or larger-than-expected debt-funded capital expenditure leading to deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	341.37	199.20
PAT	Rs. Cr.	(3.52)	(0.43)
PAT Margin	(%)	(1.03)	(0.22)
Total Debt/Tangible Net Worth	Times	7.60	7.02
PBDIT/Interest	Times	2.76	3.15

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>
- 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>

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
31 Mar 2023	Term Loan	Long Term	31.01	ACUITE BB- Stable (Downgraded from ACUITE BBB Stable)
	Secured Overdraft	Long Term	15.00	ACUITE BB- Stable (Downgraded from ACUITE BBB Stable)
	Proposed Long Term Bank Facility	Long Term	7.47	ACUITE BB- Stable (Downgraded from ACUITE BBB Stable)
	Term Loan	Long Term	60.00	ACUITE BB- Stable (Downgraded from ACUITE BBB Stable)
	Secured Overdraft	Long Term	10.00	ACUITE BB- Stable (Downgraded from ACUITE BBB Stable)
02 Nov 2022	Term Loan	Long Term	31.01	ACUITE BBB Stable (Reaffirmed)
	Secured Overdraft	Long Term	15.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	7.47	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	60.00	ACUITE BBB Stable (Reaffirmed)
	Secured Overdraft	Long Term	10.00	ACUITE BBB Stable (Reaffirmed)
06 Oct 2021	Term Loan	Long Term	60.00	ACUITE BBB Stable (Assigned)
	Secured Overdraft	Long Term	15.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	48.48	ACUITE BBB Stable (Reaffirmed)
14 Sep 2021	Proposed Long Term Bank Facility	Long Term	16.54	ACUITE BBB Stable (Upgraded from ACUITE BBB- (CE) Stable)
	Secured Overdraft	Long Term	25.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- (CE) Stable)
	Term Loan	Long Term	48.46	ACUITE BBB Stable (Upgraded from ACUITE BBB- (CE) Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Yes Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.00	ACUITE BBB- Stable Upgraded (from ACUITE BB-)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	18.58	ACUITE BBB- Stable Upgraded (from ACUITE BB-)
Yes Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE BBB- Stable Upgraded (from ACUITE BB-)
Yes Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB- Stable Upgraded (from ACUITE BB-)
Yes Bank Ltd	Not avl. / Not appl.	Term Loan	18 Oct 2018	Not avl. / Not appl.	01 Jul 2026	Simple	21.00	ACUITE BBB- Stable Upgraded (from ACUITE BB-)
Yes Bank Ltd	Not avl. / Not appl.	Term Loan	23 Aug 2021	Not avl. / Not appl.	31 Aug 2027	Simple	46.90	ACUITE BBB- Stable Upgraded (from ACUITE BB-)

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr.No.	Company Name
1	Narmada Drinks Private Limited
2	Udaipur Beverages Limited
3	Superior Drinks Private Limited
4	Indo European Breweries Limited
5	Superior Industries Limited

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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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