

Press Release

Superhouse Limited

June 24, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	195.00	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	55.00	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	250.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and the short term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on Rs 250.00 crore bank facilities of Superhouse limited (SL). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The reaffirmation of ratings derive comfort from extensive experience of promoters spanning over four decades in leather industry, long track record of operations, group's strong distribution network and reputed as well as diversified customer base across various industries. The rating also factors in healthy financial risk profile of the group marked by low gearing of 0.39 times as on 31st March 2021 which saw a minuscule dip and stood at 0.42 times in FY 2022, improved debt-coverage indicators as evident from the increment in interest coverage ratio to 6.87 times in FY 2022 vis a vis 5.02 times in FY2021 and moderate debt service coverage ratio which saw slight improvement and stood at 1.47 times in FY 2022 vis a vis 1.35 times in FY 2021. The group has strong net worth, which stood at Rs. 374.83 crore as on 31st March 2021 which further increased to Rs. 415.54 Cr in FY 2022 on account of moderate profitability and healthy ploughing back of profits. The above strengths are underpinned by working capital intensive nature of operation and intense competition in the industry. GCA Days of the group remained at a higher level in the past years and have further moderated and stood at 268 days in FY 2022. The stretch in GCA days is mainly attributed to incessant increase in inventory holding period. Going forward, the ability of the group to further sustain its scale of operations along with the effective management of its working capital cycle and financial risk profile would be the key rating sensitivities.

About Company

Incorporated in 1980 as a private limited company in Kanpur, Superhouse Limited is promoted by Mr. Mukhtarul Amin along with his family members who have experience of more than four decades in the leather industry. The company is recognized as one of the leading manufacturers and exporters of finished leather. The company also deals in leather footwear, other leather products, textile garments and horse riding products. It was subsequently

reconstituted as a public limited company in 1984 and is listed on Bombay Stock Exchange as well as National Stock Exchange. The company is operating through its 12 manufacturing units across the country and exports its products to more than 78 countries outside India. SL is a part of Superhouse group of companies.

About the Group

Superhouse Group is a multi-unit and multi-product conglomerate in the field of footwear, leather and textile garments manufacturing and exports. Superhouse group is engaged in manufacturing and supplying of leather, leather goods and textile garments across the world. The group's manufacturing unit, i.e. SL is ably backed by marketing offices and distribution channels routed through various offshore companies. Most of such companies are its wholly owned subsidiaries, i.e. Superhouse (U.K.) Limited, Superhouse (USA) International Inc., Superhouse Middle East FZC, Briggs Industrial Footwear Ltd, Superhouse GmbH, Linea De Seguridad SLU and LA Compagine Francaise D Protectio SARL. All these companies collectively, hereinafter referred to as Superhouse Group.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated view of business and financial risk profiles of the Superhouse Limited along with its seven wholly owned subsidiaries (refer annexure 2) owing to presence in similar line of business, common promoters and operating as well as financial linkages between the entities to arrive at this rating.

Key Rating Drivers

Strengths

Experienced promoters & established market position in export market for leather goods

Incorporated in the year 1980, Superhouse group's operations are led by Mr. Mukhtarul Amin along with his family, who possess more than four decades of experience in the aforementioned industry. The top management is ably supported by well experienced technical team. The extensive experience of the promoters has helped the company in establishing healthy relationship with its customers and suppliers. Acuité believes that Superhouse Group will continue to benefit owing to the extensive experience of the promoters and established brand name in the leather industry.

Diversified product portfolio coupled with reputed clientele

Superhouse group has a diversified product portfolio which includes finished leather, shoe uppers, finished footwear, textile garments, horse riding equipment and other leather products. The group also manufactures safety and fashion footwear. The group has an established market position in the export leather industry. The group is catering to reputed clientele such as Patrick Shoes Limited, ASOS Plc, Lloyds Shoe Company Limited, among others. In addition to this, the group is approved by vendors for global brands such as Wal-Mart, Filanto, Auchan, Andre, Shoe Fayre, Hudson Bay and many more.

Integrated and healthy scale of operations

Superhouse Limited sources its key raw materials from its tanneries and in-house leather product divisions, thereby reducing the risk of fluctuation in raw material prices. It also imports leather from countries such as Brazil, Italy and Columbia. Superhouse group has a total of twelve manufacturing facilities including two tanneries, across Uttar Pradesh. These units are ably backed by various marketing offices located in USA, UK, UAE, Spain and Germany.

The scale of operations of the group stood healthy at Rs. 536.75 crore during FY 2021. However, in FY 2021 reported a decline in operating income on account of disruptions created by covid 19 pandemic. Further, the operating margins improved to 9.07 per cent in

FY2021. PAT margins have remained on a growth trajectory and stood at 4.55 per cent in FY 2021.

Healthy financial risk profile

The group has healthy financial risk profile marked by strong net worth, comfortable gearing and coverage indicators. The Total Tangible net worth stood at Rs. 374.83 Cr as on 31st March 2021 as against Rs. 347.19 Cr a year earlier. Further the tangible net worth has improved to Rs. 415.54 Cr in FY 2022. Debt to Equity ratio has improved from 0.52 times in FY 2020 to 0.39 times in FY 2021 on account of decline in short term borrowings in FY 2021 while gearing saw a minuscule dip to 0.42 because of increase in short term borrowings in FY 2022. Total debt of Rs. 144.91 Cr in FY 2021 consists of Rs. 23.53 Cr of long term debt, Rs. 93.09 Cr of short term borrowings and Rs. 28.30 Cr of CPLTD. Interest Coverage Ratio has improved from 3.45 times in FY 2020 to 5.02 times in FY 2021 and further improved to 6.87 times in FY 2022 while DSCR has moderated from 1.58 times in FY 2020 to 1.35 times in FY 2021 on account of increase in CPLTD and slight decline in Net Cash accruals for FY 2021. Going forward the team believes the financial risk profile will remain in the same range in the near term.

Weaknesses

Intensive working capital operations due to high receivables and inventory levels

The group has intensive working capital requirements as evident from gross current assets (GCA) of 255 days in FY 2021 as against 234 days in FY 2020. The stretch in GCA days is mainly on account of increase in debtors' days in FY 2021. Debtor days have increased from 84 days in FY 2020 to 95 days in FY 2021. Inventory holding period has increased from 128 days in FY 2020 to 131 days in FY 2021. GCA days have further stretched to 268 days in FY 2022 as result of stretch in inventory holding period which increased from 131 days in FY 2021 to 157 days in FY 2022. As a result creditor period has also increased from 87 days in FY 2020 to 98 days in FY 2021 and further stretched to 117 days in FY 2022. The average bank utilization level between April 2021 and April 2022 on a consolidated level stood at 72.08%.

Competition from organized and unorganized players & Foreign Currency fluctuation risk

The group is engaged in leather industry which is a highly competitive and fragmented industry marked by the presence of a large number of small-to-medium sized players which exposes Superhouse group to pricing pressure. Since majority of the group's revenue is generated from export sales, this exposes the group to foreign currency fluctuation risk. However to mitigate this the group hedges its export orders and the financial team in the company monitors the currency rates.

Rating Sensitivities

- Deterioration in profitability margins, thereby impacting debt coverage indicators.
- Significant decline in scale of operations.
- Further elongation in working capital cycle and GCA days going beyond 330 days

Material Covenants

None.

Liquidity Position: Adequate

The group's liquidity position is adequate when comparing its net cash accruals to its maturing debt obligations. In FY 2021 the group generated Net Cash Accruals of Rs. 39.73 Cr against CPLTD of Rs. 28.30 Cr. Going forward in FY 2023 and 2024 the group is expected to generate net cash accruals of Rs. 46.74 Cr and Rs. 47.36 Cr against CPLTD of Rs. 5.04 Cr each each respective years. In FY 2021 the group's cash and bank balance stood at Rs. 34.19 Cr and current ratio stood at 1.49 times.

Outlook: Stable

Acuité believes that Superhouse Group will maintain a 'Stable' outlook over the medium term on the back of promoters' extensive experience in the industry, healthy financial risk profile and strong distribution network. 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 further elongation in working capital cycle.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	536.75	608.67
PAT	Rs. Cr.	24.40	26.24
PAT Margin	(%)	4.55	4.31
Total Debt/Tangible Net Worth	Times	0.39	0.52
PBDIT/Interest	Times	5.02	3.45

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

Not Applicable.

Any Other Information

None.

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on Complexity Levels of the Rated Instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Mar 2021	Cash Credit	Long Term	1.50	ACUITE A- Stable (Assigned)
	Bills Discounting	Long Term	30.00	ACUITE A- Stable (Assigned)
	Letter of Credit	Short Term	7.00	ACUITE A2+ (Assigned)
	Proposed Bank Facility	Long Term	1.82	ACUITE A- Stable (Assigned)
	Packing Credit	Long Term	28.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	5.34	ACUITE A- Stable (Assigned)
	Working Capital Demand Loan	Long Term	8.50	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	10.99	ACUITE A- Stable (Assigned)
	Packing Credit	Long Term	55.00	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee	Short Term	4.00	ACUITE A2+ (Assigned)
	Proposed Bank Facility	Short Term	4.50	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	26.00	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	10.50	ACUITE A- Stable (Assigned)

	Proposed Bank Facility	Long Term	4.00	ACUITE A- Stable (Assigned)
	Bank Guarantee	Short Term	6.00	ACUITE A2+ (Assigned)
	Proposed Bank Facility	Long Term	4.00	ACUITE A- Stable (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A2+ (Assigned)
	Term Loan	Long Term	7.35	ACUITE A- Stable (Assigned)
	Working Capital Demand Loan	Long Term	4.80	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	3.20	ACUITE A- Stable (Assigned)
	Proposed Bank Facility	Short Term	2.50	ACUITE A2+ (Assigned)
	Bills Discounting	Long Term	20.00	ACUITE A- Stable (Assigned)
03 Mar 2021	Packing Credit	Long Term	20.00	ACUITE A- Stable (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A2+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A2+ Reaffirmed
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A2+ Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.20	ACUITE A- Stable Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A- Stable Reaffirmed
Punjab National Bank	Not Applicable	FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A2+ Reaffirmed
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A2+ Reaffirmed
Yes Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A2+ Reaffirmed
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE A2+ Reaffirmed
Punjab National Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	28.00	ACUITE A- Stable Reaffirmed
Punjab National Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE A- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.82	ACUITE A- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE A2+ Reaffirmed

Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A2+ Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	10.50	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	7.35	ACUITE A- Stable Reaffirmed
Yes Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	5.34	ACUITE A- Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	9.05	30-09-2022	10.99	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	4.80	ACUITE A- Stable Reaffirmed
Punjab National Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	8.50	ACUITE A- Stable Reaffirmed

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

S. No.	Name of the Company	Relationship
1	Superhouse (U.K.) Limited	Subsidiary
2	Superhouse (USA) International Inc.	Subsidiary
3	Superhouse Middle East FZC	Subsidiary
4	Briggs Industrial Footwear Ltd	Subsidiary
5	Linea De Seguridad SLU Spain	Subsidiary
6	Superhouse GmbH	Subsidiary
7	LA Compagine Francaise SARL Headquarter	Subsidiary

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About Acuité Ratings & Research

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