

Press Release
Superhouse Limited
January 18, 2024
Rating Assigned and Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	169.00	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	7.00	-	ACUITE A2+ Assigned
Bank Loan Ratings	43.00	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	219.00	-	-

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 212 crore bank facilities of Superhouse limited (SL). The outlook is '**Stable**'.

Further Acuite has assigned the short term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on Rs 7 crore bank facilities of Superhouse limited (SL)

Rationale for the rating

The 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 0.38 times as on 31st March 2022 which saw a minuscule dip and stood at 0.43 times in FY 2023, Operating income improved by ~18 percent and stood at Rs 768.13 crore for FY 23 (Rs 650.47 crore in FY 22), Adequate liquidity. The group has strong net worth, which stood at Rs. 418.34 crore as on 31st March 2022 which further increased to Rs. 445.28 Cr in FY 2023 on account of profit accretion. The above strengths are underpinned by working capital intensive nature of operation and intense competition in the industry. GCA Days of the group improved yet remained at a higher level at 232 days in FY 2023(270 days in FY 22).Further interest coverage ratio witnessed dip of 216 bps on account of higher interest cost and lower export incentives in comparison to last year. Coupled to this Operating margin witnessed decline by 102 bps in FY 23. Going forward, the ability of the group to further improve its scale of operations, profitability 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, Creemos International Limited(Subisidiary) . 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 wholly owned subsidiaries/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 WalMart, 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. Group's revenue improved which is apparent from growth in revenue from operations by ~18.09% in FY2023 to Rs.~768.13 crore as against Rs. 650.47 crore in FY2022. (overall ~43 percent increase in last three years FY 21 to FY 23). Group has booked Operating income of Rs~355 crore in H1 of FY 24.

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. 445.28 Cr as on 31st March 2023 as against Rs. 418.34 Cr a year earlier. Debt to Equity ratio witnessed minuscule increase of 5 bps and stood at 0.43 times in FY 2023 as against 0.38 times in FY 22. Moderation is on account of rise in short term borrowings.

Further, the interest coverage ratio deteriorated by 216 bps and yet stood comfortable at 4.74 times for FY2023 as against 6.90 times in FY2022. Deterioration in Interest coverage ratio is on account of high interest cost in FY 23 in comparison to FY 22. Finance cost was Rs 9.66 crore in FY 22 and jumped by ~47 percent in FY 23 to Rs 14.20 crore. However, Debt Service coverage ratio improved by 22 bps and stood at 1.68 times for FY2023 as against 1.46 times in FY2022. Total outside liabilities to total net worth (TOL/TNW) stood at 0.85 times as on March 31, 2023 vis-à-vis 0.86 times as on March 31, 2022. Debt-EBITDA increased and stood at 2.85 times as on 31st March 2023 as against 2.40 times as on 31st March 2022. The Net Cash Accruals to Total debt stood at 0.23 times as on FY2023 and 0.29 times for FY2022.

Weaknesses

Intensive Working capital operations

Group has improved yet intensive working capital requirements as evident from gross current assets (GCA) of 232 days in FY2023 as compared to 270 days in FY2022. Intensiveness of Working capital is on account of High Inventory and Receivable Days. Debtor days stood at 90 days in FY2023 as against 88 days in FY 22. Inventory days witnessed efficiency and stood at 134 days in FY 23 (158 days in FY22) however same is now in line with FY 21 level. . Fund based working capital limits are utilized at ~89 per cent during the last twelve months ended April 23 while Non fund based limits utilization is 57.50 percent.

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

Substantial Improvement in scale of operations and profitability
Significant Improvement in Working capital Operations
Improvement in Financial Risk profile

Liquidity Position Adequate

Group has adequate liquidity marked by net cash accruals to its maturing debt obligations, current ratio, cash and bank balance. Group generated cash accruals of Rs. 43.93 crore for FY2023 as against debt repayment obligations of Rs. 20.49 crore for the same period. Current Ratio stood at 1.53 times as on 31 March 2023 as against 1.54 times in the previous year. Fund based working capital limits are utilized at ~84 per cent during the last six months ended Dec 23 while Non fund based limits utilization is ~55 percent leaving additional cushion to meet the contingencies in near future. Cash and Bank Balances of company stood at Rs 23.95 crore. The liquidity of the group is expected to improve with group expected to generate cash accruals in the range of Rs. 40 to 45 Cr. will also support the liquidity of the group.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	768.13	650.47
PAT	Rs. Cr.	27.92	31.44
PAT Margin	(%)	3.64	4.83
Total Debt/Tangible Net Worth	Times	0.43	0.38
PBDIT/Interest	Times	4.74	6.90

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

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
07 Sep 2023	Packing Credit	Short Term	28.00	(Withdrawn)
	Term Loan	Long Term	10.00	(Withdrawn)
	Letter of Credit	Short Term	33.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	10.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	18.00	ACUITE A- Stable (Reaffirmed)
	Stand By Gold Card	Long Term	8.00	ACUITE A- Stable (Reaffirmed)
	FBN/FBP/FBD/PSFC/FBE	Long Term	50.00	ACUITE A- Stable (Reaffirmed)
	PC/PCFC	Long Term	83.00	ACUITE A- (Reaffirmed)
	Term Loan	Long Term	10.00	ACUITE A- Stable (Reaffirmed)
24 Jun 2022	Cash Credit	Long Term	1.50	ACUITE A- Stable (Reaffirmed)
	PC/PCFC	Long Term	35.00	ACUITE A- Stable (Reaffirmed)
	PC/PCFC	Long Term	28.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	5.34	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee	Short Term	6.00	ACUITE A2+ (Reaffirmed)
	PC/PCFC	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
	Proposed Bank Facility	Short Term	2.50	ACUITE A2+ (Reaffirmed)
	FBN/FBP/FBD/PSFC/FBE	Long Term	30.00	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	16.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	7.00	ACUITE A2+ (Reaffirmed)
	Proposed Bank Facility	Long Term	4.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	7.35	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	10.50	ACUITE A- Stable (Reaffirmed)
	FBN/FBP/FBD/PSFC/FBE	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	8.50	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee	Short Term	4.00	ACUITE A2+ (Reaffirmed)
	Proposed Bank Facility	Long Term	1.82	ACUITE A- Stable (Reaffirmed)
		Long		ACUITE A- Stable

	Term Loan	Term	10.99	(Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A2+ (Reaffirmed)
	Proposed Bank Facility	Short Term	4.50	ACUITE A2+ (Reaffirmed)
	Proposed Bank Facility	Long Term	4.00	ACUITE A- Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	4.80	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	3.20	ACUITE A- Stable (Reaffirmed)
27 Mar 2021	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)
	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)

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	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A2+ Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	18.00	ACUITE A- Stable Reaffirmed
Punjab National Bank	Not Applicable	Derivative Exposure	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE A2+ Assigned
Punjab National Bank	Not Applicable	FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A- Stable Reaffirmed
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	33.00	ACUITE A2+ Reaffirmed
Punjab National Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	83.00	ACUITE A- Stable Reaffirmed
Punjab National Bank	Not Applicable	Stand By Gold Card	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE A- Stable Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	31 Aug 2028	Simple	10.00	ACUITE A- Stable Reaffirmed

FBN/FBP/FBD/PSFC/FBE is FOBP/FOUBP Facility

Derivative Exposure is Forward Contract Exposure Limit

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

Name of Company	Relationship
Superhouse Limited (U.K.)	Subsidiary
Superhouse International Inc. (USA)	Subsidiary
Superhouse Middle East FZC	Subsidiary
Briggs Industrial Footwear Ltd	Subsidiary
Linea De Seguridad SLU Spain	Subsidiary
Superhouse GmbH	Subsidiary
LA Compagine Francaise SARL Headquarter	Subsidiary
Creemos International Limited	Subsidiary

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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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