



Rating Rationale

15 December 2021

Supreme And Company Private Limited

Brickwork Ratings downgrades the ratings for the Long Term and Short Term Bank Loan Facilities aggregating Rs.304.56 Crores of Supreme and Company Private Limited (“SCPL”).

Particulars

Facility**	Amount (Rs. Crs)		Tenure	Rating #	
	Previous	Present		Previous (30 June 2020)^	Present
Fund based	188.75	200.76	Long Term	BWR BBB/Stable (Reaffirmed)	BWR D (Downgrade)
Non Fund based	104.10	103.80	Short Term	BWR A3 (Reaffirmed)	BWR D (Downgrade)
Total	292.82	304.56	Rupees Three Hundred and Four Crores and Fifty Six Lakhs Only		

#Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

**Details of Bank Loan facilities are provided in Annexure I

^ Advisory was issued on 7th July, 2021

RATING ACTION/OUTLOOK

BWR has essentially relied upon the Audited financials of SCPL for FY19, FY20, provisional financials for FY21 and Projections for FY22 & FY23, other information as available in the public domain, as well as information / clarifications provided by the company and its bankers, to arrive at the present ratings.

Brickwork Ratings has downgraded the rating of long term bank loan facilities of Rs. 200.76 Crs (enhanced from Rs. 188.75 Crs) of SCPL as well as their short term bank loan facilities of Rs. 103.80 Crs (reduced from Rs.104.10 Crs) to **BWR D** (aggregate rated amount increased from Rs.292.82 Crs. to Rs. 304.56 Crs).

The rating downgrade, notwithstanding the credit strengths, is based on the multiple instances over the last few months of delays in servicing of interest and principal payments on their debt obligations, beyond permitted timelines - as per feedback received from their bankers and supported by the statements of the loan accounts - resulting in the accounts being classified as SMA 1 with one of the bankers. The rating is also constrained by the ongoing liquidity crunch due to the pandemic and the dip in operating income in FY21(Provisional).

The rating, however, takes into account the promoters’ extensive experience in the same line of business for more than four decades, as well as the diversified nature of the company’s business,



since it is not dependent on one segment only for its revenue streams, and all the three divisions namely, Manufacturing, Automobiles and EPC contribute to its revenue generation. The rating also considers the low customer and supplier concentration risks, as well as moderate gearing.

Going forward, the ability of the company to timely service its debt along with improvement in revenue, profitability and liquidity position would be key monitorables.

KEY RATING DRIVERS

CREDIT CONCERNS:-

Delays in servicing debt obligations: As confirmed by the company's bankers and as observed from the bank statements provided by the company, there are delays in term loan repayments with overdues as on date, and also delays in debt servicing over 30 days in cash credit accounts. One instance of Bank Guarantee invocation remaining unadjusted as of date has been reported by one of its lenders, and their account has also been classified by another lender under the SMA 1 category of assets as per RBI norms. Delays in debt servicing beyond the permitted timelines are observed in the past 6 months ending November 2021.

Stretched Liquidity: Liquidity of the company is stretched as evident by instances of overdrawing in cash credit accounts, delays in term loan repayments and high net cash cycle.

Dip in revenue during FY21: The company booked total operating income of Rs.301.22 Crs during FY21 provisional against Rs.324.12 Crs in FY20. Dip in revenue was due to decline in revenue from all its three divisions. Manufacturing revenues were down Manufacturing divisions sales were lower on account of complete lockdown till June 2020 and damages caused by Super Cyclone Amphan leading to no operations till Aug 2020. The factory was operating at 60-70% capacity due to low export orders, delay in shipments due to travel restriction, Slow demand from export market and Covid 19. Sales from Auto divisions were down on account of slowdown in the entire automobile industry. However, since they have achieved revenues of Rs. 199.65 Crs up to September, 2021, their topline in FY22 is expected to improve with the likely achievement of the projected revenue of Rs.361.10 Crs

CREDIT STRENGTHS:-

Established Track record of the company:The main Promoter of the SCPL, Mr Omkar Agarwal, has more than four decades of experience in the field of manufacturing and trading of products of Power Transmission, Distribution and Substation & EPC business, supported by a strong in house professional team.

Diversified business: S&CPL's business risk on one particular segment stands low as the company generates revenue from three different segments i.e manufacturing division (52.39% of total revenues (FY20: 58.88%)), EPC projects ((13.61% (FY20: 12.23%)) in the field of power distribution and the auto segment 34.01% (FY20: 28.89%)which deals in distribution of passenger and commercial vehicles of Mahindra and Mahindra of the total revenues respectively.



Low customer concentration risk: The customer concentration of the company stands low as reflected from top twenty customers in manufacturing division who contributed 35% of the total sales in FY21 (FY20: 60.95%).

Low supplier concentration risk: The supplier concentration of the company stands low as reflected from top twenty suppliers in manufacturing division who contributed 75% of the total purchases in FY21 (FY20: 57.14%).

Moderate gearing levels: The company's gearing levels as per FY21 provisional stands moderate at 1.93 (FY20: 1.85). The slight deterioration was due to increase in total Debt of the company to Rs.199.36 Crs during FY21 provisional (FY20:Rs.184.6 Crs). This increase is on account of availment of GECL loans, Bill purchased against LC and reverse factoring facility of Rs. 16 crs.

ANALYTICAL APPROACH: Standalone

For arriving at its ratings, BWR has applied its rating methodology as detailed in the **Rating Criteria** given below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive: The rating may be upgraded in case the delays / defaults are resolved, and there is timely debt servicing for at least three consecutive months thereafter, and fulfillment of other curing period guidelines.

LIQUIDITY INDICATOR: Stretched

Liquidity stands stretched on account of delays in repayments of GECL/CECL in the past six months and overdues as on date. Also there are instances of overutilisation beyond 30 days in the past 6 months in the cash credit accounts.

Cash accruals of the company stood at Rs. 5.15 crs which was inadequate to meet the interest and finance obligations of Rs. 28 crs in FY21 and repayments of Rs. 1.5 crs in respect of term loan. ISCR of the company stood at 1.18 times during FY21 provisional which deteriorated from 1.25 times in FY20. DSCR of the company stood moderate at 1.17 times during FY21 (FY20:1.19times). Total free cash balance as per FY21 Provisional financial stood at Rs.0.46 Crs. Stretched liquidity is also reflected by a high net cash cycle of 302 days during FY21 provisional, against 254 days in FY20.

ABOUT THE COMPANY

Supreme & Company Pvt Ltd (S&CPL) was started in 1970 by Mr Omkar Agarwal and Mr Ramesh Rani Agarwal. It is into three segments -Manufacturing of products used in construction, power transmission, distribution etc , Auto dealership business and EPC Division. The manufacturing activities are supported by three manufacturing units located at Howrah which undertake manufacturing of more than 2000 products used in three segments of Power Transmission, Distribution and Substation. The auto division is supported by nine showrooms.



Recently the company has also developed Emergency Restoration Tower system, for which which it is enlisted as one of the few suppliers in India.

COMPANY FINANCIAL PERFORMANCE

Particulars	Units	FY20A	FY21 Provisional
Total Operating Income	Rs in Crs	324.12	301.22
EBITDA	Rs in Crs	35.71	33.16
PAT	Rs in Crs	3.90	3.00
Tangible Networth (TNW)	Rs in Crs	100.03	103.08
Total Debt/TNW	Times	1.85	1.93
Current Ratio	Times	1.40	1.38
ISCR	Times	1.25	1.18
DSCR	Times	1.19	1.17

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY: CARE BB+/Stable/CARE A4+ (ISSUER NOT COOPERATING) as on 29 July 2019.

Rating History for the last three years (including withdrawal and suspension)

S.No	Name of Instrument (NCD/Bank Loan /Non-Fund Based facilities/ Commercial Paper etc.)	*Current Rating (15 Dec 2021)			Chronology of Rating History for the past 3 years (Rating Assigned and Press Release date) along with outlook/ Watch, if applicable								
		Type	Amount (₹ Crs)	Rating	**2020		2019		2018				
	Fund Based	Long Term	200.76	BWR D/Downgrade	30 June 2020		11-April-2019		12 January 2018				
	Non Fund Based	Short Term	103.80	BWR D/Downgrade	FB*	188.75	BWR BBB, Outlook: Stable, Reaffirmed	FB*	166.30	BWR BBB, Outlook: Positive, Reaffirmed	FB*	166.30	BWR BBB, Outlook: Stable, Assigned
					NFB**	104.10	BWR A3, Reaffirmed	NFB**	138.50	BWR A3, Reaffirmed	NFB*	138.50	BWR A3, Assigned
					Total	292.85	# Reaffirmed with reduction in total exposure)	Total	304.80	# No change in total exposure	Total	304.80	
	Total		#304.56		Rupees Three Hundred and Four Crores and Fifty Six Lakhs Only.								



Rating downgraded with enhancement in total exposure.
** Rating Advisory was issued 4 May, 2020
*Rating advisory was issued on 07 July 2021.

COMPLEXITY LEVELS OF THE INSTRUMENTS: Simple

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	
Richa Sonthalia Senior Rating Analyst D: +91 9903444625 richa.s@brickworkratings.com	Anuradha Gupta Director-Ratings Mobile: Contact-9073918943 anuradha.g@brickworkratings.com
1-860-425-2742	media@brickworkratings.com

ANNEXURE I
Supreme & Company. Private Limited
Details of Bank Facilities Rated by BWR

		Manufacturing Division (Bank of Baroda is the lead banker)			EPC Division (Multiple Banking)			Auto Division (Multiple Banker)		
Rs in Crs		Bank of Baroda (Previously Vijaya Bank)	Axis Bank	ICICI Bank	Indian Bank (Previously Allahabad Bank)	Union Bank of India (Previously Andhra Bank)	Canara Bank	Tamilnad Mercantile Bank	Tata Capital Finance Service Ltd	Rating Amount Total
	Cash Credit/ Inventory Funding	32.50	22.50	-	5.00	10.00	25.00	13.80	4.95	113.75
	Export Credit (PCL/FBP/FBD/FCBF/FCBP, Foreign bill discounting)	45.00	(15.00) Sub limit of CC	-	-	-	-	-		45.00
	Inland Bill Discounting (Against LC)	25.00								25.00
	WCTL (CECL/GECL)	3.25			1.76	2.00	7.50	2.50		17.01
Long Term Total		105.75	22.50	-	6.76	12.00	32.50	16.30	4.95	200.76
	LC (Inland/Foreign)	(12.50)-Sub limit of CC	9.10	-	(5.00) Sublimit of BG	-	(15.00)-Sub limit of CC	-		9.10
	Inland/Foreign Bank Guarantee	40.00	9.10	9.00	15.00	16.00	5.00	-		94.10
	Forward Contract-Notional Exposure	0.40					0.20			0.60
Short Term Total		40.40	18.20	9.00	15.00	16.00	5.20	-		103.80
Total (Short & Long)		146.15	40.70	9.00	21.76	28.00	37.70	16.30	4.95	304.56



For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings

Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER : Brickwork Ratings India Pvt. Ltd. (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by the Reserve Bank of India [RBI], offers credit ratings of Bank Loan facilities, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. [hereafter referred to as "Instruments"]. BWR also rates NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations.

BWR wishes to inform all persons who may come across Rating Rationales and Rating Reports provided by BWR that the ratings assigned by BWR are based on information obtained from the issuer of the instrument and other reliable sources, which in BWR's best judgement are considered reliable. The Rating Rationale / Rating Report & other rating communications are intended for the jurisdiction of India only. The reports should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in Europe and also the USA).

BWR also wishes to inform that access or use of the said documents does not create a client relationship between the user and BWR.

The ratings assigned by BWR are only an expression of BWR's opinion on the entity / instrument and should not in any manner be construed as being a recommendation to either, purchase, hold or sell the instrument.

BWR also wishes to abundantly clarify that these ratings are not to be considered as an investment advice in any jurisdiction nor are they to be used as a basis for or as an alternative to independent financial advice and judgement obtained from the user's financial advisors. BWR shall not be liable to any losses incurred by the users of these Rating Rationales, Rating Reports or its contents. BWR reserves the right to vary, modify, suspend or withdraw the ratings at any time without assigning reasons for the same.

BWR's ratings reflect BWR's opinion on the day the ratings are published and are not reflective of factual circumstances that may have arisen on a later date. BWR is not obliged to update its opinion based on any public notification, in any form or format although BWR may disseminate its opinion and analysis when deemed fit.

Neither BWR nor its affiliates, third party providers, as well as the directors, officers, shareholders, employees or agents (collectively, "BWR Party") guarantee the accuracy, completeness or adequacy of the Ratings, and no BWR Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the



results obtained from the use of any part of the Rating Rationales or Rating Reports. Each BWR Party disclaims all express or implied warranties, including, but not limited to, any warranties of merchantability, suitability or fitness for a particular purpose or use. In no event shall any BWR Party be liable to any one for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Rating Rationales and/or Rating Reports even if advised of the possibility of such damages. However, BWR or its associates may have other commercial transactions with the company/entity. BWR and its affiliates do not act as a fiduciary.

BWR keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of BWR may have information that is not available to other BWR business units. BWR has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

BWR clarifies that it may have been paid a fee by the issuers or underwriters of the instruments, facilities, securities etc., or from obligors. BWR's public ratings and analysis are made available on its web site, www.brickworkratings.com. More detailed information may be provided for a fee. BWR's rating criteria are also generally made available without charge on BWR's website.

This disclaimer forms an integral part of the Ratings Rationales / Rating Reports or other press releases, advisories, communications issued by BWR and circulation of the ratings without this disclaimer is prohibited.

BWR is bound by the Code of Conduct for Credit Rating Agencies issued by the Securities and Exchange Board of India and is governed by the applicable regulations issued by the Securities and Exchange Board of India as amended from time to time.