Superhouse Limited

Instrument	Amount	Rating Action
	In Crore	**As on December 2016**
Fund Based Facilities	Rs. 208.33	[ICRA]BBB+ (Stable) Revised from [ICRA]A- (stable)
Non-Fund Based Facilities	Rs. 68.50 crore	[ICRA]A2 Revised from [ICRA]A2+

ICRA has revised the long term rating assigned to the Rs. 208.33 crore fund based limits of Superhouse Limited (Superhouse) from **[ICRA]A-** (pronounced ICRA A minus) to **[ICRA]BBB+** (pronounced ICRA triple B plus). ICRA has also revised the short term rating assigned to the Rs. 68.50 crore non fund based limits of Superhouse from **[ICRA]A2+** (pronounced ICRA A two plus) to **[ICRA]A2** (pronounced ICRA A two). The outlook on the long-term rating is "**stable**".

The revision in Superhouse's ratings takes into account prolonged weakness in its export revenues over the last several quarters mainly on account of subdued demand from its customers in the European region. This along with adverse foreign exchange movements and increase in discounts demanded by foreign buyers has resulted in dip in realizations, consequently leading to decline in operating profit margins from 11.5% in H1 FY2016 to 9.3% in H1 FY2017. Further, Superhouse has witnessed significant contraction in its export orders in the recent months which is likely to impact its top line and profitability over the short to medium term. The ratings continue to be constrained owing to high competitive intensity in the leather footwear industry, geographical concentration in Superhouse's revenue profile and vulnerability of its profits to adverse movements in exchange rates, raw material prices and changes in duty drawback rates. The ratings favorably factor in Superhouse's experienced promoters, its integrated manufacturing operations which increase its cost competitiveness and its established market position as one of the leading exporters of leather products in India. Further, Superhouse has limited capital expenditure plans going forward and its annual cash accruals from operations are expected to remain comfortable to service the overall debt obligations in a timely manner. Going forward, Superhouse's ability to grow its turnover with improvement in profitability while managing its working capital intensity as well as capital structure will be the key rating sensitivities. Further, the extent of future capital expenditure and investments will be a key rating monitorable.

About the Company

Superhouse Limited is a manufacturer and exporter of finished leather, leather products (including footwear, accessories etc.) and textile garments. The company was originally incorporated in 1980 as a private limited company in the name of Aminsons Leather Finishers Pvt. Ltd and was later converted to a public limited company and subsequently its name was changed to Aminsons Ltd. in 1989. Post the merger of other group companies its name was changed to Superhouse Leather Ltd. and then to Superhouse Ltd. in 2006. The company is promoted by Mr. Mukhtarul Amin, and he and his family members together hold around 54.5% stake in the company.

Recent Results: In FY2016, Superhouse reported a profit after tax (PAT) of Rs. 25.11 crore on an operating income (OI) of Rs. 619.28 crore as compared to a PAT of Rs. 32.47 crore on an operating income of Rs. 706.62 crore during the previous year. Superhouse had long term debt outstanding of Rs. 56.11 crore at the end of FY2016 which will be repaid between FY17-FY20. In H1 FY2017, Superhouse reported PAT of Rs 8.4 crore on an OI of Rs. 319.8 crore as compared to a PAT of Rs. 12.0 crore on an OI of Rs.317.5 crore during H1 FY2016.

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For further details please contact:
Analyst Contacts:
Mr. K. Ravichandran, (Tel. No. +91-44-45964301)
ravichandran@icraindia.com

Mr. Rachit Bhangar (Tel. No. +91 124 4545807)
rachit.bhangar@icraindia.com

Relationship Contacts:
Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)
jayantac@icraindia.com

ICRA

Registered Office
ICRA Limited
1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office
Mr. Vivek Mathur
Mobile: +**91 9871221122**
Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 3rd Floor, Electric Mansion Appasaheb Marathe Marg, Prabhadevi Mumbai—400025, Board : +91-22-61796300; Fax: +91-22-24331390	**Kolkata** **Mr. Jayanta Roy** Mobile: **+91 9903394664** Email: jayanta@icraindia.com A-10 & 11, 3rd Floor, FMC Fortuna 234/3A, A.J.C. Bose Road Kolkata—700020 Tel +91-33-22876617/8839 22800008/22831411, Fax +91-33-22870728
Chennai **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 5th Floor, Karumuttu Centre 634 Anna Salai, Nandanam Chennai—600035 Tel: +91-44-45964300; Fax: +91-44 24343663	**Bangalore** **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 'The Millenia' Tower B, Unit No. 1004,10th Floor, Level 2 12-14, 1 & 2, Murphy Road, Bangalore 560 008 Tel: +91-80-43326400; Fax: +91-80-43326409
Ahmedabad **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 907 & 908 Sakar -II, Ellisbridge, Ahmedabad- 380006 Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-79-25569231	**Pune** **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range Hills Road, Shivajinagar,Pune-411 020 Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231
Hyderabad **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj Bhavan Road, Hyderabad—500083 Tel:- +91-40-40676500	