

## Dhanashree Electronics Limited

January 03, 2023

### Ratings

Facilities	Amount (₹ crore)	Ratings <sup>1</sup>	Rating Action
Long Term Bank Facilities	13.00	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	8.50	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>21.50</b> <b>(₹ Twenty-One Crore and Fifty Lakhs Only)</b>		

\* Issuer did not cooperate; Based on best available information  
Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

Dhanashree Electronics Limited (DEL) has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE's rating on DEL's bank facilities will now be denoted as CARE BB; Stable; ISSUER NOT COOPERATING.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

The ratings assigned to the Bank Facilities of DEL continues to remain constrained by its small scale of operations, moderate capital structure and debt protection metrics, elongated operating cycle and intensive competitive nature of industry. The ratings also take into account stable financial performance during FY22 (refers to the period April 01 to March 31) and H1FY23. the ratings continue to derive strength from experienced management & satisfactory track record of operation, established market position with brand name and long-standing relationship with principal suppliers and established distribution network.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### Small scale of operations

The scale of operations of the company continues to remain small marked by total operating income of Rs.45.19 crore in FY22 as against Rs.40.35 crore in FY21. The small size restricts the financial flexibility of the company in times of stress and deprives it from benefits of economies of scale.

##### Moderate capital structure and debt protection metrics

The capital structure of the company continues to remain moderate in spite of slight moderation in overall gearing to 1.48x in FY22 as against 1.49x in FY21. The PBILDT interest coverage ratio stood at 1.04x in FY22 as against 1.08x in FY21 on account of decline in operating profits.

##### Elongated operating cycle

The working capital cycle remained stretched due to high inventory holding period of 433 days and collection period of 215 days in FY22 vis-à-vis 440 days and 252 days in FY21.

##### Intensive competitive nature of industry

The electrical market is highly fragmented with the presence of a large number of unorganized players in India constraining the pricing power of organized sector players. There is high competition within the industry due to low entry barriers. Apart from unorganized sector, the group also faces competition from organized sector players.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

## Key Rating Strengths

### Experienced management & satisfactory track record of operation

The promoters, Mr. Madan Gopal Toshniwal, and Mr. Surya Prakash Toshniwal have experience of more than five decades in the industry. The promoters have been infusing funds in the form of equity share capital and unsecured loans from commercial parties to support the capex and working capital requirements.

### Established market position with brand name and long-standing relationship with principal suppliers

DEL manufactures and markets its products under the brand name of "Rashmi Lighting" which is a known brand in the lighting industry in the Eastern India. DEL also manufactures products for other OEMs like Panasonic, Karuna Greentech Private Limited (Nordusk), Syska LED, Khaitan, etc. Also, over the years, the company has established a strong relation with some of the reputed electronic products brands namely Philips India Limited (PIL), Bajaj Electricals Limited, Havells India Limited, Schneider Electric, RR Cables, Crompton Greaves Consumer Electricals Limited, Bosch etc.

### Established distribution network

DEL sells the products either directly or through the network of Ladhuram Toshniwal & Sons (LTS; a group entity). The Group has an established distributor network for retail sales apart from selling directly to government institutions. Apart from that, the company also does assembly work for private OEMs. The Group sells through a network of over 2000 dealers, distributors and retailers.

### Stable financial performance during FY22 and H1FY23

The company has generated total operating income of Rs.45.19 crore in FY22 as against Rs.40.35 crore in FY21. The company's operating margins have remained moderate from 10.87% in FY21 to 10.58% in FY22. In line with PBIDT margins, PAT margins have also remained moderate from 4.13% in FY21 to 4.36% FY22. During H1FY23, the company has generated operating profit of Rs.3.98 crore on an operating income of Rs.26.07 crore.

**Analytical approach:** Standalone

### Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Wholesale Trading](#)

[Policy in respect of Non-cooperation by issuer](#)

### About the company

Incorporated in 1987, DEL is involved in design and manufacturing lighting products in the brand of "Rashmi", which includes copper choke, LED Lamps, LED Home Decorative Lights, CFL, Tube Lights, Street Lights, Outdoor Flood Light, Solar Lights etc. with manufacturing facilities situated in Saltlake, Kolkata. DEL also manufactures products for other OEMs like Panasonic, Karuna Greentech Private Limited (Nordusk), Syska LED, Khaitan, Magik (Century LEDs) etc. The company also is in talks with Bajaj, Eveready and Philips for OEM business. DEL also caters to government orders by bidding tenders for electronic products in several states. The day-to-day affairs are being looked after by Mr. Madan Gopal Maheshwari.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (UA)
Total operating income	40.35	45.19	26.07
PBILDT	4.38	4.78	3.98
PAT	1.67	1.97	1.23
Overall gearing (times)	1.49	1.48	1.03
Interest coverage (times)	1.08	1.04	1.66

A: Audited; UA: Unaudited

### Status of non-cooperation with previous CRA:

CRISIL placed the rating under Issuer Not Cooperating category based on best available information vide its Press Release dated February 26, 2022.

**Any other information:** Not Applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated facilities:** Detailed explanation of covenants of the rated facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure-4

#### Annexure-1: Details of facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	13.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit		-	-	-	8.00	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Proposed non fund based limits		-	-	-	0.50	CARE A4; ISSUER NOT COOPERATING*

\* Issuer did not cooperate; Based on best available information

#### Annexure-2: Rating history for the last three years

Sr. No.	Name of the Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Non-fund-based - ST-Letter of credit	ST	8.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (04-Oct-21)	1)CARE A4 (02-Mar-21)	1)CARE A4 (25-Feb-20)
2	Fund-based - LT-Cash Credit	LT	13.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (04-Oct-21)	1)CARE BB; Stable (02-Mar-21)	1)CARE BB; Stable (25-Feb-20)
3	Non-fund-based - ST-Proposed non fund based limits	ST	0.50	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (04-Oct-21)	1)CARE A4 (02-Mar-21)	1)CARE A4 (25-Feb-20)

\* Issuer did not cooperate; Based on best available information

**Annexure-3: Detailed explanation of the covenants of the rated facilities:** Not Applicable

#### Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-Letter of credit	Simple
3	Non-fund-based - ST-Proposed non fund based limits	Simple

#### Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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### About us:

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### Disclaimer:

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