

## Greenchef Appliances Limited

March 17, 2023

| Facilities/Instruments     | Amount (₹ crore)               | Rating <sup>1</sup>   | Rating Action   |
|----------------------------|--------------------------------|-----------------------|---|
| Long Term Bank Facilities  | 60.90<br>(Enhanced from 39.90) | CARE BB+;<br>Positive | Rating removed from ISSUER NOT COOPERATING category and Revised from CARE BB; Stable; |
| Short Term Bank Facilities | 1.00                           | CARE A4+              | Rating removed from ISSUER NOT COOPERATING category and Revised from CARE A4;         |
| Short Term Bank Facilities | -                              | -                     | Withdrawn   |

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The revision in outlook assigned to the long-term bank facilities of Greenchef Appliances Limited (GAL) considers the consistent improvement in scale of operations backed by increased in acceptance of its product in the highly competitive market resulting in improved profitability and debt coverage indicators. The ratings assigned to the bank facilities of GAL are constrained by moderation in profitability margins, moderate capital structure and debt coverage indicators and working capital intensive nature of operations. The ratings also factors in GAL's presence in highly competitive market with geographical concentration risk and its margins are susceptible to volatility in raw material prices and its operations being exposed to consumer spending trends. These rating weaknesses are partially offset by Moderate yet improving scale of operations, Widespread distributor network with Diversified product portfolio with indigenous manufacturing facility and extensive industry experience of the promoters in the similar line of business.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- TOI more than Rs. 400 crores with ROCE Above 11% with Total Debt to PBIDLT less than 3x

#### Negative factors

- Overall gearing more than 1.5x or and TD/PBIDLT above 8.00x

### Analytical approach: Standalone

#### Outlook: Positive

Positive outlook reflects expectation of continued growth backed by increasing acceptance of its products which would improve its debt coverage indicators.

### Key weaknesses

**Moderation in Profitability margins:** GAL's PBIDLT margins has moderated in FY22 and stood at 2.47% when compared 4.03% in FY21 on account of continued high raw material prices along with increase in employee cost to support its expanded operations in newly added locations and also on account of under absorptions of fixed overhead cost during the year. With correction of prices of its main raw materials like are aluminium sheets, steel sheets and metal scraps, plastic parts etc which has led to improvement in PBIDLT margins in 9MFY23 to 6.81% which is expected to sustain in medium term.

**Moderate capital structure and debt coverage indicators :** Overall gearing of the company stood moderate at 1.30x as on March 31,2022 when compared to 1.01x as on March 31,2021. The moderation in the overall gearing was majorly on account of higher working capital utilisation due to higher raw material cost along with company availing GECL loans to meets its working capital requirement during the year. Additionally, the company has availed term loan of Rs.15.00 Cr for construction of new unit which will consolidate the existing 4 units of the company along with expansion and addition of capacity in the new unit. Resulting which the TOL/TNW moderated and stood at 2.46x as on March 31,2022 when compared to 1.76x as on March 31,2021. Further the debt and interest coverage indicators have moderated in FY22 with Total debt to PBIDLT of 7.94x and interest coverage ratio of 1.50x when compared to 5.31x and 2.48x respectively in FY21.

**Working capital intensive nature of operations :** The operations of GAL remained working capital intensive on account of higher inventory to be maintained for different SKU's along with higher credit period being offered to the distributors due to its presence in highly competitive and fragmented industry. Generally, the company maintains around 40 days of finished goods

<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

and around raw material industry of around 20 days and the company offers around 90 days of credit period to its distributors. Further the company gets an average credit period of around 30-45 day. The average working capital utilisation stood at around 85% during the 12 months ended February 28,2023

**Margins are susceptible to volatility in raw material prices:** GAL's primary raw materials are aluminium sheets, steel sheets and metal scraps, plastic parts, copper wires, electrical components etc whose prices are linked to global commodity prices and fluctuations in prices of raw materials directly impact the price of products or profit margins of manufacturers. Hence, the operating margin is thin and is susceptible to volatility in prices of raw materials. Any increase in raw material prices has to be absorbed by the company as it is difficult to pass on the increase in price to the consumers owing to low brand recognition. The company has intense competition from well-known brands such as Hawkins Butterfly, Prestige etc.

**Exposed to Geographical concentration risk :** GAL's business is concentrated in South with 60% of business from South India and about 47-53% comes from Karnataka alone leading to geographical concentration risk. However, GAL's penetration into north and west locations during the previous few years have diversified the risk to certain extent.

**Exposure to consumer spending trends and intense competition from other branded players:** GAL'S sales, profitability and cash accruals are closely linked to the overall macro-economic conditions, consumer confidence and spending patterns owing to the nature of its products. Besides, its sales remain vulnerable to the consumers' changing tastes and preferences, along with competition from other branded players such as TTK Prestige Ltd., Hawkins Cooker Ltd. and Butterfly Gandhimathi Appliances Ltd. Stove kraft Ltd, etc, which results in limited pricing power and necessitates market and promotion spends.

**Project risk:** The company is building a manufacturing unit for consolidation of all of its existing units along with expansion of existing capacities and addition of new product lines and for entering into backward integration near the outskirts of Bangalore at total estimated expense of Rs.50.00, funded out of Rs.15 Cr of term loan around Rs. 12 Cr of internal accruals and rest through proceeds from IPO. The project is being undertaken in phases in which primarily concentrated on consolidation of all the units along with increasing its capacities. Second phase is of entering into new product segments and backward integration and its execution will be contingent to the financial closure.

## Key strengths

**Moderate yet improving scale of operations:** GAL's scale of operations has improved by 40.80% in FY22 and stood moderate at Rs.336.30 Cr when compared to Rs.238.85 Cr in FY21 on account of overall improvement in demand for its products in the domestic market which has resulted in around 50% improvement in terms of quantity sold supported with improved price realisations for its products in the market. Further with continuation of the demand in the market the company was able to achieve total scale of operations of Rs.254.52 Cr in 9MFY23.

**Diversified product portfolio with indigenous manufacturing facility:**The company has its own manufacturing facility and manufactures the LPG gas stoves, Pressure Cooker, Mixer Grinder, Wet Grinder, Electric Rice Cooker, Induction Cooktop, Nonstick Cookwares,Kettle indigenously which has resulted in reduction in dependency on the imports from china and also helps the company to maintain the quality product being offered.

**Widespread distributor presence:** GAL has total twelve branches all over India and around 450+ distributors catering to consumers in states like Karnataka, Tamilnadu, Maharastra, Rajasthan, Orissa, Gujarat, U.P. etc. Further the company added its presence in states of Bihar, Haryana and is planning to expand to Himachal Pradesh, Punjab and Jammu Kashmir the company has increased its geographic penetration by adding distributors in central India aiming to provide appliances at affordable prices to acquire first time user which has led to increase in scale of operations in FY22 and in FY23. Other than sales through branches and distributor network, company also sells its products through online channels like Flipkart and Amazon whose contribution is 10% in total sales during FY22.

**Extensive industry experience of the promoters:** GAL promoted by Mr. Sukhlal Jain and his family members is engaged in the manufacture of domestic appliances since 1999. He has more than three decades of experience in similar line of business. During 1980 he entered the steel utensils business and later in 1988 became a distributor for various brands across Bangalore. In 2010, the company was converted into public limited under the brand name "Greenchef". Later the company forayed into manufacture of a wide range of kitchen and home appliances. Sons of the promoter Mr. Praveen Kumar and Mr.Vikas Kumar actively participate in the day to day operations of the business. Mr.Praveen Kumar takes care of the sales and marketing and Mr. Vikas Kumar handles the production.

## Liquidity: Adequate

Liquidity profile of the company remained adequate as the GCA is expected to cover debt repayments sufficiently translating into satisfactory DSCR. Working capital utilisation was moderately high at 85% during the 12 months ended February 28, 2023. As on September 30,2022 the company had cash and cash equivalents of Rs.1.20 Cr

## 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](#)

[Policy on Withdrawal of Ratings](#)

## About the company and industry

### Industry classification

| Macro Economic Indicator | Sector            | Industry          | Basic Industry       |
|--------------------------|-------------------|-------------------|----------------------|
| Consumer Discretionary   | Consumer Durables | Consumer Durables | Household Appliances |

Greenchef Appliances Limited (GAL) was started as proprietorship firm in 1999 and incorporated with ROC in the year 2010 by Mr. Sukhlal Jain and his family members. Initially the company was into manufacture of LPG gas stoves and after sales service for other brands. Subsequently GAL started manufacturing and selling a vast range of kitchenware and home appliances in the domestic market. The company has four manufacturing facilities, three located in Bangalore and one in Parwanoo, Himachal Pradesh. During June 2018, the proprietorship firm Siddhartha Enterprises located in Parwanoo, Himachal Pradesh which is into similar line of business and caters to the North market was merged with GAL.

Chairman and Managing Director, Mr. Sukhlal Jain has an experience of three decades in this sector. His sons Mr. Praveen Kumar Sukhlal Jain and Mr. Vikas Kumar Sukhlal Jain look after sales & marketing and production respectively.

| Brief Financials (₹ crore) | March 31, 2021 (A) | March 31, 2022 (A) | December 31, 2022 (UA) |
|----------------------------|--------------------|--------------------|------------------------|
| Total operating income     | 238.85             | 336.30             | 254.83                 |
| PBILDT                     | 9.62               | 8.31               | 18.86                  |
| PAT                        | 3.06               | 0.51               | 10.51                  |
| Overall gearing (times)    | 1.01               | 1.30               | NA                     |
| Interest coverage (times)  | 2.48               | 1.50               | 6.35                   |

A: Audited UA: Unaudited; NA: Not Available ; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** CRISIL continues to maintain the rating of the company under Issuer not Cooperating vide PR dated March 28, 2022 as the company did not cooperate in providing the information.

**Any other information:** Not Applicable

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

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

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/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          |      | -                             | -               | -                          | 40.00                       | CARE BB+; Positive                        |
| Fund-based - LT-Term Loan            |      | -                             | -               | December 2030              | 20.90                       | CARE BB+; Positive                        |
| Non-fund-based - ST-Bank Guarantee   |      | -                             | -               | -                          | 1.00                        | CARE A4+                                  |
| Non-fund-based - ST-Letter of credit |      | -                             | -               | -                          | 0.00                        | Withdrawn                                 |

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

| Sr. No. | Name of the Instrument/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       | Fund-based - LT-Cash Credit            | LT              | 40.00                        | CARE BB+; Positive | 1)CARE BB; Stable; ISSUER NOT COOPERATING* (27-Jul-22) | 1)CARE BB+; Stable (16-Jun-21)              | 1)CARE BB; Stable; ISSUER NOT COOPERATING* (27-Oct-20)<br>2)CARE BB+; Stable (29-May-20) | -   |
| 2       | Non-fund-based - ST-Letter of credit   | ST              | -                            | -                  | 1)CARE A4; ISSUER NOT COOPERATING* (27-Jul-22)         | 1)CARE A4+ (16-Jun-21)                      | 1)CARE BB; Stable; ISSUER NOT COOPERATING* (27-Oct-20)<br>2)CARE BB+; Stable (29-May-20) | -   |
| 3       | Non-fund-based - ST-Bank Guarantee     | ST              | 1.00                         | CARE A4+           | 1)CARE A4; ISSUER NOT COOPERATING* (27-Jul-22)         | 1)CARE A4+ (16-Jun-21)                      | 1)CARE A4; ISSUER NOT COOPERATING* (27-Oct-20)<br>2)CARE A4+ (29-May-20)                 | -   |
| 4       | Fund-based - LT-Term Loan              | LT              | 20.90                        | CARE BB+; Positive | 1)CARE BB; Stable; ISSUER NOT                          | 1)CARE BB+; Stable                          | -  | -   |

|  |  |  |  |  |                             |             |  |  |
|--|--|--|--|--|-----------------------------|-------------|--|--|
|  |  |  |  |  | COOPERATING*<br>(27-Jul-22) | (16-Jun-21) |  |  |
|--|--|--|--|--|-----------------------------|-------------|--|--|

\*Long term/Short term.

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

**Annexure-4: Complexity level of the various instruments rated**

| Sr. No. | Name of the Instrument               | Complexity Level |
|---------|--------------------------------------|------------------|
| 1       | Fund-based - LT-Cash Credit          | Simple           |
| 2       | Fund-based - LT-Term Loan            | Simple           |
| 3       | Non-fund-based - ST-Bank Guarantee   | Simple           |
| 4       | Non-fund-based - ST-Letter of credit | Simple           |

**Annexure-5: Lender details**

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

**Note on the 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.

## Contact us

|  |  |
|--|--|
| <p><b>Media Contact</b></p> <p>Name: Mradul Mishra<br/>Director<br/><b>CARE Ratings Limited</b><br/>Phone: +91-22-6754 3596<br/>E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a></p> <p><b>Relationship Contact</b></p> <p>Name: Pradeep Kumar V<br/>Senior Director<br/><b>CARE Ratings Limited</b><br/>Phone: +91-98407 54521<br/>E-mail: <a href="mailto:pradeep.kumar@careedge.in">pradeep.kumar@careedge.in</a></p> | <p><b>Analytical Contacts</b></p> <p>Name: Karthik Raj K<br/>Director<br/><b>CARE Ratings Limited</b><br/>Phone: 9980562244<br/>E-mail: <a href="mailto:karthik.raj@careedge.in">karthik.raj@careedge.in</a></p> <p>Name: Himanshu Jain<br/>Assistant Director<br/><b>CARE Ratings Limited</b><br/>Phone: 8123793395<br/>E-mail: <a href="mailto:himanshu.jain@careedge.in">himanshu.jain@careedge.in</a></p> <p>Name: Sai Srikar Kolluru<br/>Analyst<br/><b>CARE Ratings Limited</b><br/>E-mail: <a href="mailto:Srikar.Kolluru@careedge.in">Srikar.Kolluru@careedge.in</a></p> |
|--|--|

### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

### Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,  
please visit [www.careedge.in](http://www.careedge.in)**