Dhanashree Electronics Limited (Revised)

March 29, 2023

Facilities	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	13.00	CARE BB; Stable	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed
Short Term Bank Facilities	8.00	CARE A4	Assigned
Short Term Bank Facilities	8.00	CARE A4	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed
Short Term Bank Facilities	-	-	Withdrawn

Details of facilities in Annexure-1.

Rationale and key rating drivers

In the absence of minimum information required for the purpose of rating, CARE was unable to express an opinion on the rating of Dhanashree Electronics Limited (DEL) and in line with the extant SEBI guidelines, CARE revised the rating of bank facilities of the entity to 'CARE BB; Stable; ISSUER NOT COOPERATING and CARE A4; ISSUER NOT COOPERATING'. However, the entity has now submitted the requisite information to CARE. CARE has carried out a full review of the rating and the rating stands at 'CARE BB; Stable and CARE A4'.

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 9MFY23. 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.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in PAT margin above 6% on a sustainable basis
- Improvement in overall gearing ratio below 1x and TD/GCA below 10x.
- Improvement in operating cycle below 200 days on sustained basis

Negative factors

- Reduction in PAT margin below 2% on a sustained basis
- Elongation in operating cycle beyond 500 days on a sustained basis

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings' opinion that the entity will benefit from experience of management and established market position.

Key weaknesses

Small scale of operations

The scale of operations of the company continues to remain small marked by total operating income of Rs.47.96 crore in FY22 as against Rs.42.25 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 with slight improvement in overall gearing to 1.48x in FY22 as against 1.49x in FY21 on account of reduction in unsecured loans. The PBILDT interest coverage ratio stood at 1.65x in FY22 as against 1.59x in FY21 on account of improvement in operating profits.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Elongated operating cycle
There had been deterioration in the inventory cycle and debtor days during FY21 to 442 days and 252 days from 360 days and 216 days respectively. The increase in debtors and inventory period was funded through unsecured loans. The cycle continues to remain elongated with slight improvement in inventory days to 437 days and collection days to 202 days and reduction in creditors days to 65 days.

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.

Key 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 lighting products for other companies like Panasonic, Karuna Greentech Private Limited (Nordusk), Khaitan, etc. Further, company has contracted with switches brands called Pritam Electricals & Electronics Pvt. Ltd., Vihan Electric Pvt. Ltd. & V.K. Industries as an OEM for lighting. 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 9MFY23
There has been improvement of 13.50% in the operating income with the company generating total operating income of Rs.47.96 crore in FY22 as against Rs.42.25 crore in FY21. The company's operating margins have slightly improved from 15.33% in FY21 to 15.94% in FY22, though it is still below the pre covid margins of around 19%. During 9MFY23, the company has generated operating profit of Rs. 5.97 crore on an operating income of Rs.37.34 crore. The company expects to generate total operating income of around Rs. 47 crores during FY23.

Liquidity: Stretched

The average monthly working capital utilization stood at around 91.89% for the last 12 months ended Dec 2022 with almost full maximum utilization of limits. Company has availed unsecured loan amounting to Rs. 5.43 crores during FY23. The company has also taken Covid Loans of Rs. 1.29 crores in FY22. During FY22, the company repaid the unsecured loans amounting to Rs. 2.33 crores through reduction of inventory and receivables. Further, the company has term loan repayment obligation of Rs. 0.86 crores during FY23.

Applicable criteria

CARE's Policy on Default Recognition
Criteria on assigning 'Outlook' and 'credit watch' to Credit Ratings
Financial ratios – Non-Financial Sector
Liquidity Analysis of Non-financial sector entities
Policy on Withdrawal of ratings
Short Term Instruments

[Manufacturing Companies](#)
[Rating Methodology - Wholesale Trading](#)

About the company and industry

Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Capital Goods	Electrical Equipment	Other Electrical Equipment

Incorporated in 1987, DEL is involved in design and manufacturing of 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 Salt Lake, Kolkata. DEL also manufactures lighting products for other companies like Panasonic, Karuna Greentech Private Limited (Nordusk), Khaitan, etc. In the current year, company has signed draft agreement with M/s Bajaj Electricals Limited for OEM business. Further, company has contracted with switches brands called Pritam Electricals & Electronics Pvt. Ltd., Vihan Electric Pvt. Ltd. & V.K. Industries as an OEM for lighting. 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)	9MFY23 (UA)
Total operating income	42.22	47.65	37.34
PBILDT	6.47	7.59	5.97
PAT	1.67	1.97	1.78
Overall gearing (times)	1.49	1.48	NA
Interest coverage (times)	1.59	1.65	1.62

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

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 the covenants of the rated facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Facilities	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
Fund-based - ST-Bill Discounting/ Bills Purchasing		-	-	-	6.00	CARE A4

Fund-based - ST-EPC/PSC		-	-	-	2.00	CARE A4
Non-fund-based - ST-Letter of credit		-	-	-	8.00	CARE A4
Non-fund-based - ST-Proposed non fund based limits		-	-	-	0.00	Withdrawn

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	1)CARE A4; ISSUER NOT COOPERATING* (03-Jan-23)	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	1)CARE BB; Stable; ISSUER NOT COOPERATING* (03-Jan-23)	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	-	-	1)CARE A4; ISSUER NOT COOPERATING* (03-Jan-23)	1)CARE A4 (04-Oct-21)	1)CARE A4 (02-Mar-21)	1)CARE A4 (25-Feb-20)
4	Fund-based - ST-EPC/PSC	ST	2.00	CARE A4				
5	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	6.00	CARE A4				

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

Annexure-3: Detailed explanation of the 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 - ST-Bill Discounting/ Bills Purchasing	Simple
3	Fund-based - ST-EPC/PSC	Simple
4	Non-fund-based - ST-Letter of credit	Simple
5	Non-fund-based - ST-Proposed non fund based limits	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

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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.

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