Vijay Sales (India) Private Limited

January 08, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term/short-term bank facilities	100.00	CARE A+; Stable/CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating reaffirmation for the bank facilities of Vijay Sales (India) Private Limited (VSIPL) continues to derive strength from the experienced promoter group with a proven track record of more than four decades of operations in Indian consumer electronic retail. The rating further derives strength from the continuous improvement in the financial risk profile, aided by robust growth in cash flow from operating activities and the strong liquidity position as against the negligible outside liabilities of the company. Majority of the debt comprises loans and advances from the promoters that are non-interest bearing and continues to remain in the business over the last few fiscals. The overall gearing as on March 31, 2023, stood at 2.30x (including promoter loans and lease liability), however, adjusted for the promoter loans, the overall gearing stood at 0.57x.

The rating further considers the model of store ownership, with a total store count of 131 stores, of which 79 being self-owned while 52 being rented along with efficient inventory model and working capital management. During FY23, (FY refers to the period from April 01 to March 31), VSIPL reported a total operating income (TOI) of ₹7,236.02 crore as compared to ₹5,400.55 crore in FY22, recording a year-on-year growth of around 34%. The profitability margins continued to remain stable at around 7-7.50% during the last three fiscals.

Going forward, CARE Ratings expects the growth momentum to continue on account of further expansion of new stores as well improving sales from the existing stores. During FY22, the company had acquired 28 stores through slump sale from Tirumala Music Centre, and with further addition of new stores, it plans to increase its presence in South India as well.

However, the rating strengths are tempered by the presence of large number of organised and unorganised players dominating the market via online and offline mode. This apart, the sector continues to remain interest rate- and economic cycle-sensitive. Additionally, the business continues to be working capital-intensive, however, comfort is drawn from the fact that most of the working capital is met via promoter loans and advances, a strong cash balance, and an added cushion of ₹140 crore vis-à-vis working capital bank facilities, which largely remains unutilised.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustenance of the capital structure at the current levels with overall gearing (including guaranteed debt and
- excluding unsecured loans from directors or promoters) below 0.50x.
- Profit before interest, lease rentals, depreciation and taxation (PBILDT) margin of more than 8% on a sustained basis.

Negative factors

- Increase in operating cycle to over 50 days due to rise in inventory levels.
- Increase in overall gearing above 1.00x (excluding loans from directors or promoters) on a sustained basis.
- Significant withdrawal of unsecured loans by promoters or directors, leading to increased dependence on outside debt.

Analytical approach: Standalone

Standalone approach after considering the support provided to Amstrad Consumer India Private Limited (formerly known as OVOT Private Limited) in the form of a corporate guarantee (CG)

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

Outlook: Stable

VSIPL benefits from its strong market position (in Maharashtra, Gujarat, Delhi, and Goa) and brand recognition. The company is expected to sustain its growing operations, strong financial risk profile, and liquidity profile amid healthy cash flow generation from the operations.

Detailed description of the key rating drivers:

Key strengths

Experienced promoter:

VSIPL was initially being established by Nanu Gupta itself in 1971, who now has decades of experience in the electronic goods industry. Under his guidance, VSIPL grew as a successful multi brand electronic retail chain. The business, under the guidance of Nanu Gupta, is now being supported by his two sons, Nilesh Gupta and Ashish Gupta. Nanu Gupta is in charge of the finance department and sales of LCD and LED televisions, Nilesh Gupta is in charge of sales of digital devices, human resource and marketing, while Ashish Gupta manages the sales of large appliances.

Geographical coverage in Western and Northern India

VSIPL currently holds 131 stores across India, primarily in Mumbai, followed by Delhi and Gujarat. In the recent past, its presence has evolved in the state of Telangana, mainly post buying 28 stores from Tirumala Music Centre Pvt Ltd. The majority of the revenue of about 50%+ is still being driven by Maharashtra itself.

The company has an in-house brand called ‘Vise’, which offers a wide range of televisions and is exclusively available at VSIPL. Amstrad Consumer India Private Limited, formerly known as OVOT Private Limited and Vijay Sales India Private Limited, is a common promoter holding of Nilesh Gupta and Ashish Gupta. This company sells products primarily through VSIPL and is engaged in the trading and distribution of consumer durable products and home appliances such as air conditioners, televisions, washing machines, irons, dryers, etc, which are exclusively available at VSIPL. In FY24, Amstrad Consumer India Private Limited commenced the in-house manufacturing of a few products, mainly washing machines and air conditioners. The Vise brand alone contributes about 25% of the total television volumes sold by VSIPL.

Incremental size of business with stability in margins

After the opening of the economy post COVID, there had been an increased spending by consumers primarily on digital electronics, driven by increased reliance on digital gadgets, increased consumer spending by way of readily available cashless financing options and cash back offers, growing population, and the rising desire towards improving the quality of life. The business was mainly driven by smartphones and laptops, contributing to about 35-40% of the total sales. However, a notable increase in volumes was also witnessed in washing machines, LED televisions, and air conditioners. The PBILDT margin also remained stable at 7.24% in FY23 (PY: 7.21%).

Strong financial risk profile

The financial risk profile of the company continues to improve on account of significant accretion of profits to networth as against negligible outside liabilities. Majority of the debt comprises of loans and advances from the promoters that are non-interest bearing and continues to remain in the business over the last few fiscals. The overall gearing as on March 31, 2023, stood at 2.30x (including promoter loans and lease liability), however, adjusted for the promoter loans, the overall gearing stood at 0.57x. The financial risk profile is further aided by strong liquidity position with healthy cash and liquid investments of ₹257.19 crore as on March 31, 2023.

Key weaknesses

Competition from organised as well as unorganised market

The electronic retail sector is primarily dominated by organised market participants, online retailers, and unorganised local shops. Authorised distributors of electronic goods also counter competition to the existing consumer electronic retail stores. Consequently, a competitive environment prevails throughout the industry. This situation ultimately results in customers having significant bargaining power, leaving retailers with minimal profit margins.

Stock obsolescence risk

Electronic products often have a short life-cycle due to rapid technological advancements and change in preferences and trends of the consumers. New and improved models are frequently introduced, leading to the obsolescence of older models. Hence, it becomes necessary for the electronic retail chains to maintain an optimum inventory level and anticipating the demand via observing the change in demand pattern, hence there is a constant urge to stay on toes to avoid backlogs and minimise inventory risk at the same time.

Liquidity: Strong

The liquidity position of the company remains strong, marked by healthy cash and liquid investments of ₹257.19 crore as on March 31, 2023. The liquidity profile is further enhanced by fund-based working capital facilities of ₹140 crore, which remains largely unutilised. The company has nil debt repayment obligations since majority of the debt comprises loan and advances from promoters. The current ratio stands at 0.82x with an operating cycle of 16 days as on March 31, 2023.

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](#)
[Retail](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Consumer discretionary	Consumer durables	Consumer durables	Consumer electronics

Established in 1967 by Nanu Gupta, Vijay Sales (VS) is a chain of multi-brand electronic stores. On May 07, 2020, the firm was reconstituted as a private limited company with the name 'Vijay Sales (India) Private Limited (VSIPL)'. VSIPL is currently managed by Nanu Gupta and his two sons, Nilesh Gupta and Ashish Gupta. As on December 20, 2023, the company has 131 operational stores. The company has operations in Maharashtra, Delhi, Gujarat, Haryana, Uttar Pradesh, Telangana, and Andhra Pradesh. The company also has its in-house brand 'Vise', which offers a wide range of televisions, washing machines, and air conditioners, which are exclusively available at VSIPL.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	H1 FY24
Total operating income	5,400.55	7,236.02	NA
PBILDT	389.13	523.55	NA
PAT	157.07	211.21	NA
Overall gearing (times)	3.92	2.30	NA
Interest coverage (times)	4.98	4.64	NA

A: Audited; UA: Unaudited. Note: The above results are the latest financial results available.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

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

Complexity level of the 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/Non-fund-based-LT/ST		-	-	-	100.00	CARE A+; Stable / CARE A1+

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 2023-2024	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
1	Fund-based/Non-fund-based-LT/ST	LT/ST*	100.00	CARE A+; Stable / CARE A1+	-	1)CARE A+; Stable / CARE A1+ (06-Jan-23)	1)CARE A+; Stable / CARE A1+ (06-Jan-22)	1)CARE A+; Stable / CARE A1+ (03-Feb-21) 2)CARE A+; Stable / CARE A1+ (03-Apr-20)

* 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/Non-fund-based-LT/ST	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.

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