

## Dhanashree Electronics Limited (Revised)

March 19, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	16.00	CARE BB; Stable	Reaffirmed
Short Term Bank Facilities	13.00	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the Bank Facilities of Dhanashree Electronics Limited (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 the negative operating margins, albeit with stable operating income, during FY23 (refers to the period April 01 to March 31) and 9MFY24, majorly owing to substantial fluctuation in raw material prices. 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 scale of operations marked by total operating income (TOI) of above Rs. 100 crore while maintaining PBILDT margin over 10% on a sustained basis
- Improvement in overall gearing ratio below 1x and TD/GCA below 10x on a sustained basis.

#### Negative factors

- Deterioration in TOI & PAT margin below Rs. 30 crore and 3% respectively on a sustained basis
- Any major debt funded capex leading to deterioration in capital structure with overall gearing above 2x on a sustained basis.

**Analytical approach:** Standalone

#### Outlook: Stable

Stable outlook reflects CARE Ratings' opinion that the entity will sustain its operating performance and financial risk while benefiting from the experience of its management and established market position.

### Detailed description of the key rating drivers:

#### Key weaknesses

##### Small scale of operations

The scale of operations of the company continues to remain small marked by total operating income of Rs.47.20 crore in FY23 as against Rs.47.96 crore in FY22. The PBILDT margins however stood at negative 17.17% in FY23 (P.Y. +10.58%) majorly owing to substantial fluctuations in raw materials costs. The scale of operations improved in 9MFY24 to Rs.53 crores with negative PBILDT margins of 2.73%. 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 overall gearing at 1.51x as on March 31, 2023, as against 1.48x as on March 31, 2022, on account of increase in unsecured loans. TD/GCA of the company stood at 16.57% in FY23 as against 19.80% in FY22 on account of increase in non-operating income.

##### Elongated operating cycle

Though there had been improvement in the inventory cycle and debtor days during FY23 to 343 days and 186 days from 433 days and 215 days in FY22 respectively, the operating cycle remained elongated at 490 days in FY23 (P.Y. 583 days).

<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

### 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.

#### Liquidity: Stretched

The average monthly working capital utilisation stood high at 94.33% for the last 12-month ending Dec 23. The company had taken ad hoc CC limit of Rs. 4 crores over the existing limit of Rs.16 crore vide sanction letter dated October 10, 2023. In FY24 the entity has term loan repayment obligation of Rs. 0.97 crore which is expected to be met from mix of utilisation of fund-based limit and gross cash accrual.

### Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

### 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.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
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Total operating income	45.19	47.20	52.69
PBILDT	4.78	-8.11	-1.44
PAT	1.97	2.69	2.12
Overall gearing (times)	1.48	1.51	NA
Interest coverage (times)	1.04	-1.54	-0.43

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

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

As per PR dated April 29, 2023, CRISIL placed the rating under Issuer Not Cooperating as the company did not provide the relevant 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		-	-	-	16.00	CARE BB; Stable
Fund-based - ST-Bill Discounting/ Bills Purchasing		-	-	-	3.00	CARE A4
Fund-based - ST-EPC/PSC		-	-	-	2.00	CARE A4
Non-fund-based - ST-Letter of credit		-	-	-	8.00	CARE A4

#### 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	Non-fund-based - ST-Letter of credit	ST**	8.00	CARE A4	-	1)CARE A4 (29-Mar-23)	1)CARE A4	1)CARE A4

						2)CARE A4; ISSUER NOT COOPERATING* (03-Jan-23)	(04-Oct- 21)	(02-Mar- 21)
2	Fund-based - LT- Cash Credit	LT#	16.00	CARE BB; Stable	-	1)CARE BB; Stable (29-Mar-23)  2)CARE BB; Stable; ISSUER NOT COOPERATING* (03-Jan-23)	1)CARE BB; Stable (04-Oct- 21)	1)CARE BB; Stable (02-Mar- 21)
3	Non-fund-based - ST-Proposed non fund based limits	ST**	-	-	-	1)Withdrawn (29-Mar-23)  2)CARE A4; ISSUER NOT COOPERATING* (03-Jan-23)	1)CARE A4 (04-Oct- 21)	1)CARE A4 (02-Mar- 21)
4	Fund-based - ST- EPC/PSC	ST**	2.00	CARE A4	-	1)CARE A4 (29-Mar-23)	-	-
5	Fund-based - ST- Bill Discounting/ Bills Purchasing	ST**	3.00	CARE A4	-	1)CARE A4 (29-Mar-23)	-	-

\*Issuer did not cooperate; based on best available information.

\*\*Short term

#Long 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 - ST-Bill Discounting/ Bills Purchasing	Simple
3	Fund-based - ST-EPC/PSC	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.

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### About us:

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