

National Electronics

July 31, 2024

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	20.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	Revised from CARE BB; Stable and moved to ISSUER NOT COOPERATING category

Details of facilities in Annexure-1.

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

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from National Electronics (NE) to monitor the rating vide e-mail communications dated June 12, 2024 and July 18, 2024, and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on NE'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.

The rating has been revised on account of lack of clarity on future growth strategy and inability to monitor the performance of the firm which is critical for assessing the credit profile of the firm. The rating is constrained by the constitution of NE as a partnership firm, limited geographical presence, exposure to intense competition from other retailers, moderate scale of operations and profitability in FY23 (refers to the period April 1 to March 31) and working capital intensive nature of operations. The rating, however, draws comfort from the experienced promoters having a long track record, diversified product mix and moderate capital structure and debt protection metrics.

Analytical approach: Standalone

Outlook: Stable

Detailed description of the key rating drivers:

At the time of last rating on May 29, 2023, the following were the rating strengths and weaknesses (Updated for the information received from firm):

Key weaknesses

Constitution as a partnership firm

NE, being a partnership firm, is exposed to the inherent risk of the partner's capital being withdrawn at the time of personal contingency. Also, the firm's growth and future prospects are dependent on its partner's maintaining adequate capital and the introduction of capital required for the future growth of the firm. Furthermore, partnership entities have restricted access to external borrowing, as the credit worthiness of the partners would be amongst the key factors affecting the credit decision of the lenders.

Limited geographical presence

The firm has 8 showrooms which are in the state of Jharkhand leading to geographical concentration of operations.

Exposure to intense competition from other retailers

The entity is exposed to stiff competition from large retail players and online e-commerce players which constrain profitability. Amongst the large retail chains Chroma, Reliance Digital and Khosla Electronics are expanding which exposes the firm to intense competition. Also, the increase in penetration of internet services in semi-urban and rural areas has benefited the online players such as Flipkart, Amazon, etc., who are engaged in heavy discounting which has further intensified the competition.

Moderate scale of operations and profitability in FY23

The firm earned total operating income (TOI) of Rs.107.25 crore in FY23 (Prov.) vis-à-vis Rs.98.14 crore in FY22. The PBILDT margin witnessed improvement from 5.98% in FY22 to 7.03% in FY23 (Prov). The volatility in PBILDT margin is mainly on account of the volatile gross margin. The firm earned PBT of ₹2.73 crore in FY23(Prov.) as against Rs.2.01 crore in FY22.

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

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

Working capital intensive nature of operations

The firm has a large working capital requirement in view of the large inventory to be maintained for the various showrooms. The operating cycle in FY23 (Prov) remained more or less similar to that in FY22 at around 150 days marked by high inventory holding period of around 196 days in FY23 (Prov).

Key Strengths

Experienced promoters having long track record

NE was founded by late Jasbir Singh Jolly in 1987 at Jamshedpur. It was converted into a partnership firm in April 1996. The day-to-day operations of the firm are being handled by Kulwant Singh and Jaspal Singh who have more than 3 decades of experience in the electronics retail industry. Presently, the firm operates 8 retail showrooms spread across Jamshedpur and Ranchi.

Diversified product mix

NE has a well-diversified product profile with a product base of multiple Indian and MNC brands. The products range from air conditioners, LED televisions, microphone, mobiles, camera, washing machine, refrigerator, computer, and other electrical consumer durables. The association with large number of brands and availability of diversified product range from all major brands (like Samsung, Sony, Voltas, Philips, LG, HAIER, Bajaj, etc.) has enabled the company to reduce dependence on sales of a particular product/brand. The sale of ACs contribute around 30-35% of the total revenue to the firm.

Moderate capital structure and debt protection metrics

The capital structure of the firm continues to remain moderate with overall gearing ratio of 1.95x as on March 31, 2023 (prov) as against 1.86x as on March 31, 2022 due to increase in working capital borrowings. The interest coverage ratio witnessed improvement from 1.57x in FY22 to 1.70x in FY23 (Prov) on account of increase in PBILDT. The debt coverage indicators marked by TDGCA, though witnessed improvement from 18.75x as on March 31, 2022 to 16.00x as on March 31, 2023 (Prov), continues to remain high.

Applicable criteria

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Retail](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Services	Retailing	Speciality Retail

NE was set up as a proprietorship firm in 1987 by the late Jasbir Singh Jolly in Jamshedpur and was converted into a partnership firm in April 1996. The firm is engaged in the business of trading in electronics, home appliances and other consumer durables like televisions, refrigerators, washing machines, air conditioners, audio, mobile, and digital and movie camera products of reputed Indian and MNC manufacturers.

Presently, there are 7 partners in the firm and the day-to-day operations of the firm are being managed by Kulwant Singh and Jaspal Singh. Currently, the firm operates 8 retail showrooms in Jamshedpur and Ranchi.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (UA)
Total operating income	98.14	107.25
PBILDT	5.87	7.54
PAT	1.31	1.89
Overall gearing (times)	1.86	1.95
Interest coverage (times)	1.57	1.70

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

Status of non-cooperation with previous CRA: Brickwork Ratings has continued the rating assigned to the bank facilities of NE under 'Issuer not-cooperating' category vide press release dated May 24, 2024, on account of non-availability of requisite information from the company.

CRISIL Ratings has continued the ratings assigned to the bank facilities of NE into 'Issuer not-cooperating' category vide press release dated October 26, 2023, on account of non-availability of requisite information from the company

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	18.10	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	September 2024	1.90	CARE BB-; Stable; 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 Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	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
1	Fund-based - LT-Cash Credit	LT	18.10	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (29-May-23)	-	-
2	Fund-based - LT-Term Loan	LT	1.90	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (29-May-23)	-	-

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

LT: 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 - LT-Term Loan	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:

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Disclaimer:

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