Adishwar India Limited

March 13, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	58.00	CARE BBB-; Stable	Reaffirmed; Outlook revised from Negative

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in outlook assigned to the bank facilities of Adishwar India Limited (AIL) factors in improvement in profitability of the company after it has sold its loss-making supermarket division to another entity. In CARE Ratings Limited (CARE Ratings) opinion, following the said transaction, company would be able to focus on its core electronic retailing business which was earning satisfactory profitability over the years. The rating continues to derive strength from well-established market presence of the brand in Karnataka, asset light model, limited inventory obsolescence risk and experienced promoters.

However, these strengths are partially offset by intense competition from organised, unorganised and e-commerce spaces, and geographical concentration risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improving scale of operations beyond ₹500 crore and overall gearing remains below 0.5x.

Negative factors

- Adverse impact on the debt coverage metrics (ICR< 1.5x) and PDBIT margins (<5%)
- Overall gearing >1.25x
- Any form of financial or operational support from AIL to Indwell Retail Private Limited leading to stretch in liquidity position of AIL.

Analytical approach: Standalone

Outlook: Stable

Revision in Outlook from Negative to Stable outlook reflects CARE Ratings' expectations that the company's business will scale up with improvement in profitability, post demerger of supermarket segment.

Detailed description of key rating drivers:

Key strengths

Demerger of supermarket division leading to improvement in financial risk profile

Company was primarily into retailing of electronic consumer durable items and entered into supermarket business during FY21. The segment was consistently incurring losses and therefore has been sold on slump sale basis in the month of July 2024. Upon sale of business, with only electronic retailing business, the company has reported PBDIT margin of 7.03% and total debt/PBDIT of 3.26x in 9MFY25 as against PBDIT margin of 3.87% as total debt/ PBDIT of 6.14x in FY24.

Plan for equity infusion

The company is in discussions with several private equity investors for equity infusion by FY26. The fund will be utilised for expansion of electronic business, through adding more category of products as well as opening new stores. CARE Ratings expects that the capital infusion will improve the capital structure and would allow company to scale up profitably in an otherwise highly competitive industry.

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

Well established market presence in Karnataka

AIL has developed strong market presence with a large network of retail showrooms spread across Karnataka and enjoys high acceptability with 37% revenue from repeat customers. As of end of December 31, 2024, AIL operated 67 showrooms under the name "Adishwar Electro World" for retailing of consumer durables and electronic products in the state of Karnataka. The company has been associated with all the major brands such as LG, Sony, Samsung, Whirlpool, Godrej, Panasonic, Haier, etc. and with wide variety of product range across categories. In CARE Ratings opinion, established brand presence would help the company in maintaining high footfall translating into sustained revenue growth.

Asset light model

All the stores except for one store are operated under lease model which leads to lower cost requirement for the setup of stores and gives flexibility in terms of area required/locality of stores. On an average, the capex for a new store in Bangalore ranges from Rs. 1.5 cr to 1.75 Cr and in tier 2/3 cities it is Rs. 1 cr to 1.3 Cr. The write-off cost for closure of a store would range from Rs.10 to 15 lakhs.

Limited inventory obsolescence risk

Electronic products are generally prone towards the risk of technology obsolescence and falling prices. The company has a policy of recognizing inventory as obsolete, if the same is more than 90 days. However, under the present arrangement, manufacturers support to liquidate such stock by way of discount, incentives and compensation through promotional activities helping AIL to limit the risk of technology obsolescence impacting its margin.

Experienced promoters and established track record

The promoter, Mr Paras Jain (first generation entrepreneur) has more than two decades of experience in the retail business. The day-to-day affairs of the company are looked after by Mr. Paras Jain, who is assisted by his brother Mr. Nirmal Jain along with an experienced team of professionals looking after various functions. Over the years, company had expanded its presence in Karnataka.

Key weaknesses

Geographical concentration risk

AIL has all of its stores in Karnataka. As on December 31, 2024, it had 67 stores, out of which 37 stores are in Bengaluru and rest are in other 2/3 tier cities of Karnataka like Mysore, Koppal, Belgaum, Bellary etc. The company is, however, in plans to expand in cities of Tamil Nadu as well as Andhra Pradesh, which fall within 300 km radius of Bangalore.

Intense competition from organized, unorganized as well as e-commerce space

Retailing is a highly fragmented industry with presence of large number of organized and unorganized player. AIL faces competition from some major retail chains, e-commerce companies as well as from fragmented small dealers, leading to pricing pressure, and impacting its profitability. With established brand name, and operational setup, AIL is expected to benefit from the formalization of the retail sector in the long run. While the company is making efforts to expand its present portfolio of products and brands to improve footfalls and revenue, the success of these efforts and further revival of consumer sentiment remain crucial to its performance in the future.

Liquidity: Adequate

The company's liquidity was strained by the losses of the supermarket business while the electronics segment had a stable performance in the past 2-3 years. With the demerger of the supermarket business, cash accruals and thereby liquidity is expected to improve in the coming years. The company has plans for equity infusion, which will also help improve the liquidity position. As such, company's working capital limits are fully utilized and it is pertinent for the company to bring down the same to maintain adequate liquidity position.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Retail

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Services	Retailing	Speciality Retail

AIL is promoted by Paras Jain from January 1997 as a trader in the series of products such as kitchenware, cookware, gift articles, etc. under multi-level marketing (MLM) and during FY05 (refers to the period April 01 to March 31), AIL expanded into retail chain of business. AIL operates showrooms under the name "Adishwar Electro World" for retailing of consumer durables and electronic products in Karnataka. AIL had also entered into retail chain of supermarkets in December 2021. This business has been hived off in July 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	335.81	331.99	246.87
PBILDT	12.85	12.85	17.36
PAT	0.62	0.62	8.13
Overall gearing (times)	1.39	1.31	NA
Interest coverage (times)	1.71	1.68	2.67

A: Audited UA: Unaudited; NA: Not Available, Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	58.00	CARE BBB-; Stable

Annexure-2: Rating history for 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	58.00	CARE BBB-; Stable	-	1)CARE BBB-; Negative (02-Feb-24)	1)CARE BBB-; Stable (03-Jan-23)	1)CARE BBB-; Stable (25-Mar-22)

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for 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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