Greenchef Appliances Limited

April 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	74.94 (Enhanced from 63.55)	CARE BBB-; Negative	Reaffirmed; Outlook revised from Stable
Short-term bank facilities	10.00	CARE A3	Assigned
Short-term bank facilities	1.00	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in outlook assigned to long-term bank facilities of Greenchef Appliances Limited (GAL) is considering expectation that coverage indicators are likely to remain at elevated levels in case of delay in operationalisation of new factory premises which would restrict its sales and profitability growth.

Ratings continue to derive strength from extensive industry experience of promoters in similar business, reasonably wide distributor network with diversified product portfolio. However, these rating strengths are constrained by moderate debt coverage indicators and working capital intensive operations. Ratings also factor in GAL's presence in highly competitive market with geographical concentration risk and its margins are susceptible to raw material price volatility and its operations being exposed to consumer spending trends.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Total operating income (TOI) over ₹500 crore, profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins of 8% and total debt to profit before interest, lease rentals, depreciation, and taxes (TD/PBILDT) less than 2x.

Negative factors

- TD/PBILDT of over 4x by FY26.

Analytical approach: Standalone

Outlook: Negative

Negative Outlook reflects CARE Ratings Limited's (CARE Ratings') expectation of coverage indicators likely to remain at elevated level due to delay in shifting of operations in a newly constructed large unit which restricted its sales and profitability growth. The outlook may be revised to 'Stable' in case the company is able to improve its sales and profitability as envisaged.

Detailed description of key rating drivers:

Key strengths

Fund raising through IPO

The company had raised net proceeds of ₹48.47 crore by way of IPO in July 2023, resulting in improvement in its capital structure (adjusted for overdraft availed against fixed deposit). The company had utilised ₹30 crore of the IPO proceeds and constructed a manufacturing unit spread over 15 acres for consolidation of all of its existing units, expansion of existing capacities, addition of new product lines and for entering backward integration (to manufacture plastic products) near the outskirts of Bangalore (Tumkur). The construction is completed, and existing facilities will be shifted to the new unit by the end of Q1FY26. The capex for consolidation of facilities will aid the company in operational efficiencies.

Diversified product portfolio with indigenous manufacturing facility

The company has its own manufacturing facility and manufactures several home appliances including LPG gas stoves, pressure cooker, and mixer grinder among others, which has resulted in reduced dependency on imports and also helped it maintain quality

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

of products offered. Widespread distributor presence of GAL has 12 branches across India and ~450+ distributors catering consumers in Karnataka, Tamil Nadu, Maharashtra, Rajasthan, Orissa, Gujarat, and Uttar Pradesh among others. The company has presence in Bihar, and Haryana and is planning to expand to Himachal Pradesh, Punjab, and Jammu Kashmir.

Extensive industry experience of promoters
GAL is promoted by Sukhlal Jain and his family, who are engaged in manufacturing domestic appliances since 1999. He has over four decades of experience in a similar business. His sons, Praveen Kumar and Vikas Kumar actively participate in the company's day-to-day business operations. Praveen Kumar is the managing director (MD) and manages sales and marketing and Vikas Kumar handles production.

Key weaknesses

Delay in operationalisation of consolidated unit
The company was envisaging to relocate its scattered units in Bengaluru to a larger unit having enhanced capacity at Tumkur. However, due to labour and contractor issues, the new unit could not commence operations in Q3FY25 as envisaged. This unit has been completed now and the operations are being gradually shifted now and are likely to be full transferred in Q1FY26. However, in anticipation that the project would be completed by December 2024, the company invested in marketing activities and adding more product lines. However, due to capacity constraint, the company could not realise full benefits translating to stagnated profitability margins and increased borrowings.

Working capital intensive operations
GAL's operations remained working capital intensive due to higher inventory maintained for different SKU's and higher credit period offered to distributors, given its presence in highly competitive and fragmented industry. Generally, the company maintains ~50 days of finished goods and raw material industry of ~20 days and it offers ~90 days of credit period to its distributors. The company gets an average credit period of ~30-45 day. The average working capital utilisation stood at ~85% for 12-months ended February 2025.

Margins are susceptible to raw material price volatility
GAL's primary raw materials are aluminium sheets, steel sheets and metal scraps, plastic parts, copper wires, and electrical components among others, prices of which are linked to global commodity prices and fluctuations in raw material prices directly impact price of products or profit margins for manufacturers. Hence, operating margin is thin and is susceptible to raw material price volatility. Increase in raw material prices has to be absorbed by the company, as it is difficult to pass on the increase in price to consumers owing to low brand recognition. The company has intense competition from well-known brands such as Hawkins Butterfly, and Prestige among others.

Exposed to geographical concertation risk
GAL's business is concentrated in the south with ~60% business from South India and ~50% from Karnataka, leading to geographical concentration risk. However, GAL's penetration in north and west locations in the previous few years have diversified the risk to certain extent. The company increased its focus on sales through e-commerce platforms and institutional sales.

Exposure to consumer spending trends and intense competition from other branded players
GAL'S sales, profitability and cash accruals are closely linked to overall macro-economic conditions, consumer confidence and spending patterns owing to the nature of its products. Its sales remain vulnerable to consumers' changing tastes and preferences, and competition from other branded players such as TTK Prestige Limited, Hawkins Cooker Limited, Butterfly Gandhimathi Appliances Limited, and Stove kraft Limited, among others, which results in limited pricing power and necessitates market and promotion spends.

Liquidity: Adequate

The company's liquidity profile remained adequate as the gross cash accruals (GCAs) is expected to cover debt repayments sufficiently translating to satisfactory debt service coverage ratio (DSCR). Working capital utilisation stood high at 85% in the 12 months ended February 2025. As on September 30, 2024, the company had cash and cash equivalents of ₹1.94 crore.

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

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer durables	Consumer durables	Household appliances

GAL established in Bengaluru, is engaged in manufacturing and marketing kitchen appliances such as gas stove, cooker, chimney, and mixer-grinder, among others. The company is promoted and managed by Sukhlal Jain and his family

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	September 30, 2024 (UA)
Total operating income	327.90	331.02	170.46
PBILDT	20.53	12.86	9.58
PAT	9.87	4.87	NA
Overall gearing (times)	1.08	1.06	NA
Interest coverage (times)	4.08	2.30	NA

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

Status of non-cooperation with previous CRA:
CRISIL and Brickworks continue to maintain the company's rating under 'Issuer not Cooperating' vide PRs dated July 16, 2024, and March 14, 2024, respectively, as the company did not cooperate in providing information.

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	-	-	-	-	59.50	CARE BBB-; Negative
Fund-based - LT-Term Loan	-	-	-	December 2030	15.44	CARE BBB-; Negative
Non-fund-based - ST-Bank Guarantee	-	-	-	-	1.00	CARE A3
Non-fund-based - ST-ILC/FLC	-	-	-	-	10.00	CARE A3

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	59.50	CARE BBB-; Negative	1)CARE BBB-; Stable (03-Apr-24)	-	1)CARE BB+; Positive (17-Mar-23) 2)CARE BB; Stable; ISSUER NOT COOPERATING* (27-Jul-22)	1)CARE BB+; Stable (16-Jun-21)
2	Non-fund-based - ST-Letter of credit	ST	-	-	-	-	1)Withdrawn (17-Mar-23) 2)CARE A4; ISSUER NOT COOPERATING* (27-Jul-22)	1)CARE A4+ (16-Jun-21)
3	Non-fund-based - ST-Bank Guarantee	ST	1.00	CARE A3	1)CARE A3 (03-Apr-24)	-	1)CARE A4+ (17-Mar-23) 2)CARE A4; ISSUER NOT COOPERATING* (27-Jul-22)	1)CARE A4+ (16-Jun-21)
4	Fund-based - LT-Term Loan	LT	15.44	CARE BBB-; Negative	1)CARE BBB-; Stable (03-Apr-24)	-	1)CARE BB+; Positive (17-Mar-23) 2)CARE BB; Stable; ISSUER NOT COOPERATING* (27-Jul-22)	1)CARE BB+; Stable (16-Jun-21)
5	Non-fund-based - ST-ILC/FLC	ST	10.00	CARE A3				

*Issuer did not cooperate; based on best available information.
LT: Long term; ST: Short 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
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple
4	Non-fund-based - ST-ILC/FLC	Simple

Annexure-5: Lender details

To view 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

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Saikat Roy Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3404 E-mail: saikat.roy@careedge.in	Karthik Raj K Director **CARE Ratings Limited** Phone: +91-80-4662 5555 E-mail: karthik.raj@careedge.in Himanshu Jain Associate Director **CARE Ratings Limited** Phone: +91-80-4662 5528 E-mail: himanshu.jain@careedge.in Sourav Dalan Analyst **CARE Ratings Limited** E-mail: Sourav.dalan@careedge.in

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.

For detailed Rationale Report and subscription information,
please visit www.careedge.in