

## Sathya Agencies Private Limited

December 16, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	100.00 (Reduced from 110.00)	CARE BBB-; Stable	Downgraded from CARE BBB; Stable
Long Term / Short-term bank facilities	242.00 (Enhanced from 232.00)	CARE BBB-; Stable / CARE A3	Downgraded from CARE BBB; Stable / CARE A3+

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Revision in ratings assigned to bank facilities of Sathya Agencies Private Limited (SAPL) reflects increased debt levels, driven by an aggressive debt-funded expansion through organic store additions and inorganic acquisition. Elevated leverage levels are expected to persist in the medium term with increased working capital requirement as the newly added stores take time to achieve optimal performance, delaying deleveraging. Ratings continue to draw comfort from SAPL's steady growth in scale of operations, strong regional brand recall, and promoters' extensive industry experience. Ratings also consider moderate profitability margins and intense competition from national and regional players, and from e-commerce platforms.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors:

- Sustainably growing total operating income (TOI) while maintaining profitability margin.
- Scaling up of operations in Andhra Pradesh (AP) and Karnataka, reducing geographical concentration risk.
- Improving leverage levels marked by total debt (excluding lease obligations) to gross cash accruals (Adj TD/GCA) of less than 4.50x.

#### Negative factors:

- Sharply deteriorating TOI and profitability.
- Increase in inventory holding leading to stretch in operating cycle beyond 90 days.

### Analytical approach: Standalone

#### Outlook: Stable

CARE Ratings Limited (CareEdge Ratings) believes that with its strong brand recall and expanded store presence, the company is expected to sustain growth in operations in the medium term.

### Detailed description of key rating drivers

#### Key Strengths

##### Improvement in scale with extensive store rollout; though growth not commensurate with expansion

SAPL's TOI increased from ₹995 crore in FY21 to ₹3,499.99 crore in FY25, driven largely by a substantial rise in its store network. The number of showrooms increased from 126 in March 2021 to 314 in March 2025. As several of the newly opened outlets operated only for part of the year, average sales per store continues to remain moderated. Number of showrooms further increased to 388 in September 2025 with the acquisition of Unilet Appliances Private Limited, which was operating 52 showrooms in Karnataka. While continued expansion improved the company's scale and geographical presence, the aggressive pace of network addition within a short timeframe heightens execution and stabilisation risks. The company reported TOI of ₹2,457 crore in 7MFY26, indicating moderate growth compared to the aggressive network expansion at an annualised year-on-year growth rate of ~20%. Scaling up operation of newly added stores and sustainable same store sales growth with improving contribution from newly entered territories will remain a key monitorable.

#### Experienced management with established brand relationships

Promoters have over three decades of experience in the consumer durables retail business, active since 1987. Since its incorporation in 2005, SAPL has built a strong presence in Tamil Nadu and maintains long-standing relationships with ~50 marquee brands, including LG, Samsung, Sony, Whirlpool, Haier, Godrej and Apple.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

**Diversified product portfolio**

SAPL offers a broad and balanced product portfolio across key categories such as televisions, air conditioners, refrigerators, washing machines and mobile phones, which helps minimise dependence on single segment and supports consistent demand across seasons. Nearly 50% of revenue is derived from air conditioners and mobile phones, while televisions (16%), refrigerators (10%), washing machines (10%), and other home appliances provide additional diversification.

**Geographical concentration**

Until FY23, sales were entirely from Tamil Nadu; however, with entry into Andhra Pradesh, revenue concentration from Tamil Nadu declined to 92% in FY25 (PY: 98%). Expansion into Karnataka and Kerala in FY26 has enhanced market penetration and customer reach. However, it is expected that TN would still continue to hold a significant share of the revenue where SAPL is a market leader in the organised brick-and-mortar retail segment. Its operations follow an asset-light model, with most stores run on leased premises, allowing flexibility in managing locations, rental commitments and overall operating costs.

**Key weaknesses****Weakened capital structure due to debt-funded expansion**

The company's capital structure has weakened due to significant debt-funded growth initiatives. The company has added 69 new showrooms in FY25 (PY: 44) and 26 showrooms added in H1FY26. The company acquired vacant land in Thuthukudi in FY25 for the proposed warehouse construction and done debt funded acquisition of Unilet Appliances Private Limited in July 2025. These expansion measures led to an increase in term borrowings from ₹97.98 crore as of March 2024 to ₹172.21 crore as of March 2025, further rising to ₹259 crore as of October 2025. Higher inventory requirements resulting from the enlarged retail network have contributed to increased working capital debt. Consequently, overall gearing increased to 4.93x as at March 2025-end (March 24: 4.17x). Total bank borrowing stood elevated at ₹649 crore as of March 2025 (PY: ₹ 484 crore) and further increased to ₹793 crore as of October 2025. With plans to raise additional debt to fund proposed expansion plans, capital structure is likely to remain highly leveraged in the medium term.

**Moderate profitability margins**

As inherent to the industry, SAPL's operating margins are low due to the limited value addition and trading business. Profit before interest, lease rentals, depreciation and taxation (PBILDT) margin slightly improved to 6.94% in FY25 from 6.18% in FY24, attributable to maturing stores, lower discounting and optimized marketing overheads, and improved original equipment manufacturer (OEM) pricing benefits from a wider market presence. Sustenance of profitability with improved contribution from newly launched showrooms would be a key monitorable.

**Inventory management efficiency has moderated with expansion**

SAPL previously maintained efficient inventory controls through its warehouse network and automated replenishment systems, with inventory levels typically ~40–45 days. However, rapid addition of new stores has increased stocking requirements and slowed turnover. Inventory holding has now risen to ~70 days, compared to ~60 days in earlier years, reflecting a moderation in efficiency despite continued efforts to liquidate slow-moving and end-of-life products. Additional holding of AC stocks foreseeing increased demand and supply constraints also contributed to the moderate inventory turnover as of March 2025.

**Highly competitive industry**

Although brick-and-mortar players currently dominate the consumer durable industry due to their physical presence, which allows customers to touch and feel the product they are purchasing, e-commerce businesses are putting pressure on the traditional organised brick and mortar players with competitive pricing and a wider range of options. These e-commerce giants have much better supply chain infrastructure in place and are well-funded, posing a significant challenge to smaller and emerging regional organisations.

**Liquidity: Adequate**

Unencumbered cash and bank balance stood at ₹12.43 crore as on March 31, 2025. The company is expected to generate adequate cash accruals to meet its debt repayment obligations. Average utilisation of working capital facilities is ~91% for 12 months ended in September 2025. Inventory holdings are increased to 71 days in FY25 (PY: 60 days) majorly due to higher AC inventories to meet summer demand, however operating cycle remains stable at 45 days in FY25 (PY 44 days) with improved credit terms with OEMs.

## Applicable criteria

- [Definition of Default](#)
- [Liquidity Analysis of Non-financial sector entities](#)
- [Rating Outlook and Rating Watch](#)
- [Financial Ratios – Non financial Sector](#)
- [Retail](#)
- [Service Sector Companies](#)
- [Short Term Instruments](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer services	Retailing	Diversified retail

SAPL was incorporated in 2005 at Tuticorin, Tamil Nadu. It is engaged in retail trade of electronic consumer durables of multi brands and is currently operating with 388 retail outlets in Tamil Nadu, Andhra Pradesh Karantaka and Kerala as of September 2025. The company is closely held, and its day-to-day operations are overseen by Johnson (Managing Director) and his brothers/directors John sathya and Charles Packiaraj.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (UA)	7MFY26 (UA)
Total operating income	2852.60	3499.99	2457.15
PBILDT	176.28	242.77	189.39
PAT	57.11	48.80	59.27
Overall gearing (times)	4.17	4.93	NA
Interest coverage (times)	3.83	2.54	3.75

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

\*PBILDT: Profit before interest, lease rentals, depreciation and tax

Lease liabilities are treated as debt. For FY25, total lease liabilities stood at ₹363.70 crore (PY: ₹181.29 crore)

**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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	100.00	CARE BBB-; Stable
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	242.00	CARE BBB-; Stable / 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 2025-2026	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
1	Fund-based - LT-Cash Credit	LT	100.00	CARE BBB-; Stable	-	1)CARE BBB; Stable (19-Sep-24)	1)CARE BBB; Stable (31-Aug-23)	1)CARE BBB; Stable (16-Aug-22)
2	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	242.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB; Stable / CARE A3+ (19-Sep-24)	1)CARE BBB; Stable / CARE A3+ (31-Aug-23)	1)CARE BBB; Stable / CARE A3+ (16-Aug-22)

LT: Long term; LT/ST: Long term/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	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CareEdge 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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