

Greenchef Appliances Limited (Revised)

July 27, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	39.90	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	2.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Revised from CARE A4+ (A Four Plus) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	41.90 (₹ Forty-One Core and Ninety Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE has been seeking information to carry out annual surveillance of Greenchef Appliances Limited (GAL) to monitor the ratings vide e-mail communications dated May 03, 2022 to June 20, 2022, and numerous phone calls. However, despite our repeated requests, the company has not provided the information for monitoring the requisite ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of best available information which however, in CARE's opinion is not sufficient to arrive at fair rating. The rating on Greenchef Appliances Limited's bank facilities will now be denoted as CARE BB; Stable; Issuer Not Cooperating* and CARE A4; 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(s).

The revision in rating of bank facilities of Greenchef Appliances Limited is on account of absence of critical information on its financial and operational performance. Further, CARE is unable to interact with lenders and auditor of the entity to assess its ability to service the debt obligations and hence the revision in rating.

Detailed description of the key rating drivers

At the time of last rating on June 16, 2021, the following were the rating strengths and weaknesses (updated for FY21 audited financials from MCA)

Key rating weaknesses

Geographical concentration risk

GAL's business is concentrated in South with 56% of business from South India and about 49% comes from Karnataka alone leading to geographical concentration risk. However, GAL's penetration into north and west locations during FY20 and FY21 have diversified the risk to a small extent. Further in FY22, the company also plans to expand in Bihar, Himachal Pradesh, Punjab and Jammu Kashmir.

Susceptibility of operating margin to volatility in raw material prices

GAL's primary raw materials are aluminium sheets, steel sheets and metal scraps, plastic parts, copper wires, electrical components etc. whose prices are linked to global commodity prices and fluctuations in prices of raw materials directly impact the price of products or profit margins of manufacturers. Hence, the operating margin is thin and is susceptible to volatility in prices of raw materials. Any increase in raw material prices has to be absorbed by the company as it is difficult to pass on the increase in price to the consumers owing to low brand recognition.

Project Risk

The company has plans for a capex in building a standalone manufacturing unit in the outskirts of Bangalore at an aggregated expense of Rs.22.63 crore, routed through bank funding of Rs.15 crore and Rs.7.63 crore equity by the promoters. The company has got sanctioned the term loan for Rs.15 crore in March, 2021. As on date, the company has expended Rs.1 crore on preliminary levelling of land for starting the construction. The project is expected to be completed in March, 2023, after which, the company will have a single manufacturing unit with reduced rental expenses compared to current state which would further boost profitability.

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

Highly competitive industry

The kitchen and home appliances industry is highly competitive characterized by presence of many established Indian and multinational players in the branded product segments as well as unorganized players in the non-branded segments. Furthermore, there is limited scope of differentiation amongst the products. All this coupled with the import from China etc. leads to a fragmented industry structure having a high level of competition and therefore intense pricing pressures. Furthermore, Indian consumers are highly price conscious as well as price sensitive. This poses a challenge for the manufacturers and suppliers and even a small price variation hugely affects the consumer preference for a specific brand or product. But, the company has seen success in transferring prices to the customer without taking a hit on sales quantity in the last two years

Key rating strengths

Extensive industry experience of the promoters

GAL promoted by Mr. Sukhlal Jain and his family members is engaged in the manufacture of domestic appliances since 1999. He has more than three decades of experience in similar line of business. Sons of the promoter Mr. Praveen Kumar and Mr. Vikas Kumar actively participate in the day to day operations of the business. Mr. Praveen Kumar takes care of the sales and marketing and Mr. Vikas Kumar handles the production.

Improving operational profile with diversified revenue stream across product categories

The company manufactures and sells varying sizes, colours and motor powers of LPG stoves, pressure cookers, non-stick cookware and mixer grinder, induction cooktops, fans, geyser etc. GAL's manufacturing units are equipped with in-house facilities for moulding, electrical wiring, assembling, finishing, machining, painting, branding, labelling and packaging of products. The company caters to various price points in the kitchen appliance markets by designing region specific products. The company's target market includes rural households and middle and lower middle-class people.

Moderate financial risk profile TOI de-grew by 12% during FY20 over FY19 on account of loss of sales in lockdown period imposed in the nation in end of Q4FY20. PAT fell from Rs.8.90 crore in FY19 to Rs.1.13 crore in FY20. PBILDT and PAT margins fell to 3.33% (PY:6.52% in FY19) and 0.48% (PY:3.31% in FY19) in FY20. Company during FY21, made a TOI of Rs.238.85 crore, with a PAT of Rs.3.06 crore at PBILDT margin of 4.03%, faring better than FY20. Overall gearing deteriorated from 0.75x as on 31.03.2019 to 0.90x as on 31.03.2020 and further to 1.06x as on March 31, 2021 due to increase in WC utilization and increase in unsecured loans from directors and shareholders and also newly availed term loans from banks (Rs.4.9 crore).

Widespread distributor network

GAL has total twelve branches all over India with more than 170 distributors. GAL is catering to consumers in states like Karnataka, Tamil Nadu, Maharashtra, Rajasthan, Orissa, Gujarat, U.P. etc. through its well-established distributor network. During FY21, the company has increased its geographic penetration by adding distributors in central India aiming to provide appliances at affordable prices to acquire first time users. Further in FY22, the company also plans to expand in Bihar, Himachal Pradesh, Punjab and Jammu Kashmir. Other than sales through branches and distributor network, company also sells its products through online channels like Flipkart and Amazon whose contribution is 9% in total sales during FY21.

Analytical approach: Standalone

Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

About the company

Greenchef Appliances Limited (GAL) was started as proprietorship firm in 1999 and incorporated with ROC in the year 2010 by Mr. Sukhlal Jain and his family members. The key product segment of GAL includes gas stove, cooker, chimney, mixer-grinder, non-stick cookware, induction cooktops, fans and water purifiers which are sold under the brand "Greenchef".

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	June 30, 2022*
Total operating income	238.85	NA	NA
PBILDT	9.62	NA	NA
PAT	3.06	NA	NA
Overall gearing (times)	1.06	NA	NA
Interest coverage (times)	2.48	NA	NA

A: Audited; NA: Not Available || *No financials available post FY21

Status of non-cooperation with previous CRA: CRISIL continues to maintain the rating of the company under Issuer not Cooperating vide PR dated March 28,2022 as the company did not cooperate in providing the information. Brickwork Ratings continues to maintain the rating of the company under Issuer not Cooperating vide PR dated June 10,2021 as the company did not cooperate in providing the information

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

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		-	-	-	20.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit		-	-	-	1.00	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	1.00	CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	December, 2030	19.90	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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	20.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (16-Jun-21)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (27-Oct-20) 2)CARE BB+; Stable (29-May-20)	-
2	Non-fund-based - ST-Letter of credit	ST	1.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4+ (16-Jun-21)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (27-Oct-20) 2)CARE BB+; Stable (29-May-20)	-
3	Non-fund-based - ST-Bank Guarantee	ST	1.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4+ (16-Jun-21)	1)CARE A4; ISSUER NOT COOPERATING* (27-Oct-20) 2)CARE A4+ (29-May-20)	-

4	Fund-based - LT-Term Loan	LT	19.90	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (16-Jun-21)	-	-
---	---------------------------	----	-------	--	---	--------------------------------	---	---

*Issuer did not Cooperate; Based on best available information

LT: Long term; ST: Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Name of the Instrument	Detailed Explanation
A. Financial covenants	Nil
B. Non-financial covenants	Nil

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of 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-Letter of credit	Simple

Annexure-5: Bank lender details for this company

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

Note on 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

Media contact

Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Analyst contact

Name: Himanshu Jain
Phone: 8123793395
E-mail: himanshu.jain@careedge.in

Relationship contact

Name: Pradeep Kumar V
Phone: +91-98407 54521
E-mail: pradeep.kumar@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.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

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