

## Neosa Electronics Private Limited

December 29, 2022

### Ratings

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	30.00	CARE BB; Stable (Double B; Outlook: Stable)	Assigned
<b>Total Bank Facilities</b>	<b>30.00</b> <b>(₹ Thirty Crore Only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

The rating assigned to the bank facilities of Neosa Electronics Private Limited (NEPL) is constrained by its modest scale of operations, low profitability margin and leverage capital structure. However, the ratings derived strength from experienced promoters, established relationships with reputed principals along with diversified product portfolio and established market position with strong distribution channels.

#### Rating sensitivities

##### Positive factors – Factors that could lead to positive rating action/upgrade:

- Increase in scale of operations marked by total operating income above Rs. 150 crore and PBILDT margin above 6% on a sustained basis
- Efficient working capital management, indicated by gross current assets of less than 120 days on a sustained basis.

##### Negative factors – Factors that could lead to negative rating action/downgrade:

- Any major debt laden capex leading to deterioration in overall gearing above 4.50x on a sustained basis
- Sizeable degrowth in TOI below Rs. 80 crores on a sustained basis.

### Detailed description of the key rating drivers

#### Key rating weaknesses

##### Modest Scale of operation

NEPL has a modest size of operation with a revenue of Rs. 99.47 crore in FY21 and Rs. 106.24 crore in FY22. There has been a moderation in TOI in FY21 and FY22, when compared to pre pandemic years mainly due to government-imposed lockdowns during covid and weaker demands. However, the revenue is expected to improve in the coming years.

##### Low Profitability margin

NEPL, being a trading entity has a low profitability margin though the margins have improved from 3.72% in FY20 to 4.55% in FY22. The PAT margin has been low but stable at 0.23% in FY22 as compared to 0.20% in FY21. The management expects the margins to remain range bound in short to medium term.

##### Leveraged Capital Structure and moderate Debt coverage Indicators

The company has a leveraged capital structure with an overall gearing of 3.22x in FY22 as against 3.25x in FY21. The Interest coverage ratio stood at 1.15x in FY22 as against 1.24x in FY21. The Total debt to GCA has been high at 55.18x as on March 31, 2022, as against 50.05x as on March 31, 2021. The debt structure of company mainly consists of GECL loan, working capital limits and Unsecured loan.

The unsecured loans are from promoters and have no specific repayment schedule.

#### Key rating strengths

##### Experienced Promoter

NEPL is promoted by Kolkata based Chowdhury family since 1986. The promoters have over two decades of experience in dealership business and strong connection with the government. It has established relationship with dealers and suppliers over decades. The key promoter Mr. Balaram Chowdhury, a science graduate, have more than three decades of experience in the same line business, looks after the day-to-day operations of the company.

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

### Established relationships with reputed principals along with diversified product portfolio

The diversified network of the company and long experience of the promoters has facilitated NEPL to establish relationships with reputed brands and deal in different electronic durables product categories. NEPL has throughout maintained long term relationships with its suppliers including Sony, Godrej, Whirlpool, Voltas, etc.

### Established market position with strong distribution channels

The company is an established player in the electronics distributorship market. The company has over 1500 dealer network in the regions that it operates in. The group ranks among the leading business house in Kolkata and has achieved recognition as one of the top distributors in the area. For popular brands like Sony, Whirlpool, Godrej, Haier, Voltas etc. the company has distribution rights in entire West Bengal and some region of Sikkim and Bhutan.

### Liquidity: Adequate

The liquidity of NEPL is marked by GCA of Rs.0.68 Crore in FY22 and cash and cash equivalent of Rs. 1.68 crore as on Mar 31, 2022. The company has repayment obligation of GECL loans of around Rs. 2.09 crores in FY23 which will be met majorly out of cash flow from operations (Rs.2.66 crore in FY22) and through liquidity in hand. Further, as per the management, the promoters will contribute in case of funds mismatch. Average utilization of cash credit facility has been high at around 91% in the past 6 months ending Nov'22.

### Analytical approach

Standalone

### Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Wholesale Trading](#)

### About the company

Neosa Electronics Private Limited (NEPL) was incorporated in the year 1986. The company is an authorized distributor of Sony, Whirlpool, Godrej, Haier, Voltas, White Goods and other Electronic Goods. The company operates in the entire state of West Bengal, Sikkim and Bhutan and has a network of more than 1500 Dealers. The company is promoted by Kolkata based Chowdhury family. The promoters have over two decades of experience in dealership business. The key promoter Mr. Balam Chowdhury and his son Mr. Joydeep Chowdhury, who looks after the day-to-day operations of the company along with an experienced team.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	7MFY23 (Prov.)
Total operating income	99.47	106.24	66.34
PBILDT	4.30	4.83	NA
PAT	0.20	0.24	0.22
Overall gearing (times)	3.25	3.22	NA
Interest coverage (times)	1.24	1.15	NA

A: Audited, Prov: Provisional, NA: Not Available

**Status of non-cooperation with previous CRA:** Non-cooperation with CRISIL vide its press release dated October 27, 2022.

**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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	30.00	CARE BB; Stable

**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	30.00	CARE BB; Stable				

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities:** Not Applicable**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

**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.

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### About us:

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