

## Press Release

### Vardhman Electronics

June 28, 2018



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 20.00 Cr.
<b>Long Term Rating</b>	ACUITE B+ / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+** (**read as ACUITE B plus**) and short term rating of '**ACUITE A4** (**read as ACUITE A four**) on the Rs. 20.00 crore bank facilities of Vardhman Electronics. The outlook is '**Stable**'.

Vardhman Electronics (VE) was established as a proprietorship firm by 2005 by Mr. Tilak Raj Jain. The firm is engaged in trading of electronics such as products of Sony LG Whirlpool to name a few and is into dealership as well as distributorship. The distributorship business accounts for 85-90 per cent of their revenues while the balance is from dealership. The firm has exclusive dealership in Delhi area. The firm has retail shops around 5 (1 owned + 3 lease) and godowns around 4 (3 leased + 1 owned).

### Key Rating Drivers

#### Strengths

- Long operational track record and experienced management**

VE is engaged in distribution and retail business of electronics since 2005. The proprietor, Mr. Tilak Raj Jain possesses more than a decade of experience in this industry. Mr. Jain has been engaged in business since 1970 in trading business.

#### Weaknesses

- Average financial risk profile**

The financial risk profile is average marked by modest networth, high gearing and modest debt protection measures. The networth stood at Rs 9.09 crore as on 31 March, 2017 as compared to Rs. 6.42 crore as on 31 March, 2016. The debt equity stands at 3.96 times in FY2017 as compared to 4.11 in the previous year owing to high utilization of short term debt. The TOL/TNW stood at 10.09 times in FY2017 as against 8.07 in FY2016. Moreover, the Net Cash Accruals to Total Debt (NCA/TD) stood at 0.03 times while Debt Service Coverage (DSCR) stood at 1.20 times as on March 31, 2017. The Interest Coverage Ratio stood at 1.32 times in FY2017 as compared to 1.27 times in FY2016.

- Working capital intensive nature of operation**

The working capital management is marked by gross current assets (GCA) days of 138 in FY2017 as against 96 days in FY2016. However, the stretch is on account of high year-end inventory and debtors that stood at 63 and 72 days in FY2017 as against 55 and 39 days in FY2016.

- Low profitability due to trading nature of operations**

The profitability is low due to the trading nature of operations. The operating margins have been low at 1.66 percent in FY2017 as compared to 1.32 percent in FY2016. The net profitability stood at a low of 0.36 percent in FY2017 and 0.25 percent in FY2016 on account of high interest expenditure on working capital loans.

#### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Vardhman Electronics (VE).

#### Outlook: Stable

Acuité believes that VE will maintain a stable outlook owing to its experienced management and long

track record of operation. The outlook may be revised to 'Positive' in case the company increases its profitability while improving its debt coverage indicators. Conversely the outlook may be revised to 'Negative' in case of further deterioration in profitability while improving its debt coverage indicators.

#### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	265.77	218.22	155.92
EBITDA	Rs. Cr.	4.41	2.89	1.83
PAT	Rs. Cr.	0.96	0.54	0.30
EBITDA Margin	(%)	1.66	1.32	1.18
PAT Margin	(%)	0.36	0.25	0.19
ROCE	(%)	11.06	10.07	15.55
Total Debt/Tangible Net Worth	Times	3.96	4.11	3.43
PBDIT/Interest	Times	1.32	1.27	1.21
Total Debt/PBDIT	Times	8.16	9.13	9.82
Gross Current Assets (Days)	Days	138	96	79

#### Status of non-cooperation with previous CRA (if applicable)

None

#### Any other information

None

#### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>

#### Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

#### Rating History (Upto last three years)

Not Applicable

#### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE B+ / Stable
Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4

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**About Acuité Ratings & Research:**

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