

Press Release
Oditi Appliances LLP
April 04, 2024



Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	14.00	ACUITE B- Stable Assigned	-
Bank Loan Ratings	24.00	ACUITE B- Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	38.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating of '**ACUITE B-**' (read as **ACUITE B minus**) from '**ACUITE C**' (read as **ACUITE C**) on the Rs. 24.00 Cr. bank facilities of Oditi Appliances LLP (OAL). The outlook is '**Stable**'.

Acuite has also assigned its long-term rating of '**ACUITE B-**' (read as **ACUITE B minus**) on the Rs.14.00 Cr. bank facilities of Oditi Appliances LLP (OAL). The outlook is '**Stable**'.

Rationale for rating

The rating upgrade is driven by curing in delays of term loans and extinguishment of the same. The firm has achieved revenue of Rs 148.72 Cr. in FY2023 as against Rs 126.88 Cr. in FY2022, thereby registering an y-o-y growth of 11.7%. Further, the firm has achieved revenues of around Rs.119.3 Cr. till ten months ended January 2024. The firm's operating margin dipped slightly from 3.57 percent in FY2022 to 3.27 percent in FY2023. The firm anticipates that in the medium term, the margin will stay at these levels. The rating also takes into account its established track record of operations across country, experienced management in domestic appliances industry and steady scale of operations.

These strengths are partially constrained by the working capital intensive nature of operations and low customer and supplier concentration risk in revenue profile; diversified product offerings.

About the Company

Oditi Appliances LLP is a partnership firm, established on January, 2017, under the Limited Liability Partnership Act, 2008. The firm is engaged in manufacturing of ceiling fans, electric and gas geysers, LPG stoves and other household appliances. The firm was started as proprietorship firm in 2002. In FY2017 the firm changes its constituency from a proprietorship firm to a partnership firm. As of 2019, all the proprietorship firm are merged into a single partnership firm i.e., Oditi Appliances LLP. The partners of this firm are Mr. Sanjay Pahal and Ms. Usha Pahal and it is based in Delhi.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has taken the standalone view of the business and financial risk profile of OAL to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations across country, experienced management in domestic appliances industry.

OAL is promoted by Mr. Sanjay Pahal who having an experience of around 2 decades in the household appliances industry. The top management is ably supported by a well qualified and experienced second line of management. The firm was started as proprietorship firm in 2002 as trader for gas water heater. The firm used to import the product and then further sell it to domestic market. In 2004-05, firm established its first manufacturing unit and started manufacturing gas water heater. In FY2017 the firm changes its constituency from a proprietorship firm to a limited liability partnership firm. As of now, the firm deals in more than 15 types of household appliances. The firm have 3 manufacturing units located at Kundli (Haryana), Guwahati (Assam) & Sanpera (Haryana).

Steady scale of operations

The firm's revenue increased to Rs 148.72 Cr. in FY2023 as against Rs 126.88 Cr. in FY2022, thereby registering an y-o-y growth of 11.7 %. Further, the firm has achieved revenues of around Rs.119.3 Cr. till ten months ended January 2024. The firm started producing electric water heaters, which contributed to the growth in revenue in FY2023 along with better sales and production as compared to the previous year. They used to be imported from overseas and sold in the local market.

The firm's operating margin dipped from 3.57 percent in FY2022 to 3.27 percent in FY2023. The firm also undertakes job work to Bajaj Electricals, Orient Electrics, V-Guard, Kenstar, Polar, and Singer. In addition, the organization needs additional personnel for administrative and support duties as well as other systemic needs that raise overhead expenses. Prior to this, the business charged 1% for all the contracts, but the proportion on manufacturing costs was raised to 23% once the contract was revised. The firm anticipates that over the medium term, the margin will remain at similar levels. Additionally, the PAT margin slightly dropped from 0.57% in FY2022 to 0.47% in FY2023. In FY2023 the ROCE levels were comfortable at 7.24%, compared to 7.67% in FY2022.

Weaknesses

Working capital intensive nature of operation

The working capital cycle of the firm remained high but improved slightly as reflected by Gross Current Assets (GCA) of 175 days for FY2023 as compared to 194 days for FY2022. The debtor period stood at 71 days as on FY2023 as compared to 52 days as on FY2022. Further, the inventory days of the firm stood at 104 days in FY2023 as compared to 137 days in FY2022. Creditors stood at 68 days as on FY2023.

Acuité believes that the working capital operations of the firm will remain at the similar levels over the medium term.

Low customer and supplier concentration risk in revenue profile; Diversified product offerings

OAL has been successfully able to diversify its product portfolio by offering various domestic appliances such as Ceiling fan, Wall fan, Table fan, Pedestal fan, Fan heater, Halogen heater, Electric geyser, Gas geyser, Inductions, Chimneys, Gas stoves and many other domestic appliances. OAL has a reputed and renowned customer profile consisting of clients such as V-Guard Industries and Orient Electric Limited. None of the single customer out of has contributed more than 20 percent to the total sales of the firm in FY2023. The current suppliers are associated with the operations of the firm for nearly 5 years now. None of the single supplier of OAL contributed more than 20 percent to the total purchases of the firm. Acuité believes that OAL has low risk towards its revenue profile in terms of customer and supplier concentration and will benefit from its diversified product offerings over the medium term.

Rating Sensitivities

- Significant and sustainable improvement in the scale of operations and profitability
- Leverage and Solvency position of the firm

Liquidity Position

Stretched

The firm has stretched liquidity marked by net cash accruals of Rs 1.60 Cr. as on FY2023 as against long term debt of Rs. 2.36 Cr. over the same period. The firm brought in unsecured loans to pay for the shortfall in servicing its debt obligations. The cash and bank balance stood at Rs. 0.06 Cr. for FY 2023. Further, the current ratio of the firm stood at 1.24 times in FY2023. The working capital cycle of the firm is marked by Gross Current Assets (GCA) of 175 days for FY2023 as compared to 194 days for FY2022. The bank limit of the firm has been ~91 percent utilized for the last six months ended in December 2023. The management has financial flexibility to bring in the funds in the business. As on March 31, 2023, the unsecured loan in the business were at Rs. 9.40 Cr. Acuité believes that the liquidity of the firm is likely to remain stretched over the medium term on account of low but steady cash accruals, term debt repayments albeit financial flexibility of promoters to bring in funds in business over the medium term.

Outlook: Stable

Acuité believes that OAL will continue to benefit over the medium to long term on account of long track record of operations, experienced management in the industry, decent unexecuted order book and its reputed clientele profile. The outlook may be revised to 'Positive', in case of sustainable improvement in scale of operations and reduction in GCA days leading to higher-than-expected revenues and profitability with improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case OAL registers lower-than-expected revenues and profitability or any significant stretch in its working capital management or larger-than-expected debt- funded capital expenditure leading to deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	148.72	126.88
PAT	Rs. Cr.	0.69	0.72
PAT Margin	(%)	0.47	0.57
Total Debt/Tangible Net Worth	Times	3.58	3.47
PBDIT/Interest	Times	1.64	1.57

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Dec 2023	Proposed Long Term Bank Facility	Long Term	2.14	ACUITE C Not Applicable (Reaffirmed & Issuer not co-operating*)
	Cash Credit	Long Term	16.00	ACUITE C Not Applicable (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	1.21	ACUITE C Not Applicable (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	3.05	ACUITE C Not Applicable (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	1.60	ACUITE C Not Applicable (Reaffirmed & Issuer not co-operating*)
30 Sep 2022	Cash Credit	Long Term	16.00	ACUITE C Not Applicable (Downgraded & Issuer not co-operating*)
	Term Loan	Long Term	1.21	ACUITE C Not Applicable (Downgraded & Issuer not co-operating*)
	Term Loan	Long Term	3.05	ACUITE C Not Applicable (Downgraded & Issuer not co-operating*)
	Term Loan	Long Term	1.60	ACUITE C Not Applicable (Downgraded & Issuer not co-operating*)
	Proposed Long Term Bank Facility	Long Term	2.14	ACUITE C Not Applicable (Downgraded & Issuer not co-operating*)
20 Jul 2021	Term Loan	Long Term	1.60	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	3.05	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	1.21	ACUITE BB Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	2.14	ACUITE BB Stable (Reaffirmed)
	Cash Credit	Long Term	16.00	ACUITE BB Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
UCO Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	16.00	ACUITE B- Stable Upgraded (from ACUITE C)
ICICI Bank Ltd	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Jan 2025	Simple	2.29	ACUITE B- Stable Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Jan 2025	Simple	2.96	ACUITE B- Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.14	ACUITE B- Stable Upgraded (from ACUITE C)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.86	ACUITE B- Stable Upgraded (from ACUITE C)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.75	ACUITE B- Stable Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	15 Feb 2027	Simple	2.00	ACUITE B- Stable Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	15 May 2024	Simple	5.00	ACUITE B- Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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