



Rating Rationale

Great Eastern Retail Private Limited

29 Apr 2021

Brickwork Ratings Reaffirms the ratings for the enhanced Bank Loan Facilities of Rs.234.35 Crs. (previous amount Rs.211.12 Crs) of Great Eastern Retail Pvt. Ltd. (GERPL or ‘The Company’)

Particulars

Facility**	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Feb, 2020)	Present
Fund based Cash Credit Term Loan	124.00 88.12	124.00 110.35	Long Term	BWR BBB, Stable Reaffirmed	BWR BBB, Stable Reaffirmed
Total	211.12	234.35	INR Two Hundred Thirty Four Cores and Thirty Five lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank Loan facilities are provided in Annexure-I

RATING ACTION/OUTLOOK

Brickwork Ratings (BWR) has essentially relied upon the audited financial statements of Great Eastern Retail Pvt. Ltd. (GERPL or ‘The Company’) upto FY20, relevant data to the extent available for FY21, projected financials for FY21 and FY22, as well as information / clarifications provided by the company’s management and its bankers, to arrive at the present ratings.

Based on a review, BWR has **reaffirmed** the rating for the long-term bank loan facilities of GERPL for Rs. 234.35 Crs (enhanced from Rs.211.12 Crs) **at BWR BBB, with a Stable outlook.**

The rating reaffirmation draws strength from the company’s stable financial performance in FY20 and 21, adequate liquidity, and infusion of funds by the Directors to support the business, as and when needed. The rating further takes into account the over four decades of experience of the promoters, their pre-eminence in the Kolkata metro area, established business relationships with suppliers, widespread network with retail showrooms in five states, and diversified product lines with arrangements with nearly all the renowned consumer durable goods vendors.



The rating is however constrained by GERPL's trading nature of business and the thin margins therefrom, high working capital requirements, as well as high competition from e-retailers and the other multi branded retailers.

The rating has been assigned a 'Stable' outlook as the business risk profile of the company is stable and its present financial performance is expected to be maintained in the medium term. The rating outlook may be revised to 'Positive' in case there is improvement in revenues and debt protection metrics on a sustained basis. The rating outlook may be revised to 'Negative' if there is any deterioration in financial risk profile of the company, or in case of liquidity issues.

KEY RATING DRIVERS:

Credit Strengths:

Stable financial performance in FY20 and FY21: GERPL has shown stable financial performance during FY20 & 21 in spite of the COVID impact in the industry. Due to the ongoing COVID pandemic the company faced several challenges, and though it was able to post healthy revenue of Rs. 662.97 Crs in FY20, the same declined to Rs.515.87 Crs in FY21 (FY19: Rs.726.49 Crs). Despite the decline in sales, the operating profit and net profit margins could be sustained at 6.24% and 0.34% respectively in FY21 (FY20: 5.01%, 0.70%; FY19:4.95%, 0.83%). The Company's debt protection metrics also remained comfortable with ISCR of 1.22 times, Total Debt/TNW of 3.18 times and TOL/TNW of 3.73 times in FY20 (FY19:ISCR 1.53 times, Total Debt/TNW 3.83 times and TOL/TNW 5.80 times). As per the projections given by the Company, ISCR, Total Debt/TNW and TOL/TNW are likely to remain comfortable in FY21 also.

Infusion of Funds by Directors: The directors have infused funds in the form of equity to support the operations of the company as and when required. The Net Worth of GERPL increased from Rs.66.66 Crs in FY19 to Rs.82.79 Crs in FY20 with infusion of funds by the Directors, and addition to reserves with increase in net profits. The same is expected to increase going forward as well. As per the projections given by the Company, TNW is likely to be Rs. 102.39 Crs in FY21.

Experience of the Management: GERPL is a family owned and managed business. Mr. Nirmal Kumar Baid, the Managing Director has over four decades of experience in the retail consumer electronics industry. Mr. Nirmal Baid's son, Mr. Pulkit Baid joined business in 2005 after completing his PGDM and is actively looking after business development along with his father.

Established Position: GERPL has a long history of operations since 1976. It now has an established position in the consumer electronics retail industry, and occupies a pre-eminent position in the Kolkata metro area, it has also maintained established business relationships with its suppliers. The company is well diversified with 34 retail showrooms in West Bengal, 8 in Odisha, 9 in Rajasthan, 3 in Andhra Pradesh and 4 in Uttar Pradesh (Total 58 retail showrooms across the country). Also GERPL is a multi branded and multi product retailer, it sells all kinds of consumer electronics and appliances - including ACs, Refrigerators, Invertors, CTV & LCD,



mobiles and other home appliances and audio products. It has supply agreements with more than 70 renowned vendors, including Panasonic, Samsung, LG, SONY, Whirlpool, Voltas and others.

Credit Weaknesses:

Working Capital Intensive Operations: GERPL's business is working capital intensive in nature, and the average Working Capital cycle is around 3 months for the company. The high Working Capital Cycle is on account of a high inventory holding period of around 5 months, as it has to maintain adequate stock for display at all its showrooms and at its warehouses at all times.

Trading nature of operations: GERPL's trading nature of business and the thin margins inherent therein, is a critical business risk.

Competition: GERPL is exposed to competition from other retailers (including online sellers) in the consumer electronics industry. Due to the ongoing pandemic, customers are preferring e retail platforms for purchase of electronic and home appliances, which is a major challenge for the company. Considering the challenge however, GERPL has also introduced its own Whatsapp purchase platform.

ANALYTICAL APPROACH

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria given below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive: Sustained improvement in sales while maintaining the credit profile and liquidity may trigger positive rating action.

Negative: Deterioration in sales and deterioration in liquidity profile, as well as delays in debt servicing, may trigger negative rating action.

LIQUIDITY INDICATORS: Adequate

The liquidity of the company stands adequate as reflected by the moderate utilisation of the cash credit limit of 91% approximately for the 10 months ended January 2021. Also, the Current Ratio remained above unity through FYs 18-20. Net Cash Accruals (NCA) also remained healthy at Rs. 10.86 Crs as compared to Current Portion of Long Term Debt (CPLTD) of Rs.9.92 Crs in FY20 and as per the projections given by the Company NCA is likely to remain higher than CPLTD in FY21 as well. Liquidity is expected to remain adequate, going forward as well, since the company does not have any major debt-led capex plan in the near term.

About the Company

Great Eastern Retail Pvt Ltd (GERPL) was incorporated in 1998 by Kolkata based Mr. Nirmal Kumar Baid and Mr. Punam Chand Baid, father of Mr. Nirmal Kumar. Initially it started as proprietorship concern in 1976, later, it was reconstituted as a private limited company.

Mr. Nirmal Kumar Baid has over four decades of experience in the consumer electronics industry. He is assisted by his son, Mr. Pulkit Baid, who joined the business in 2005 after



completing his PGDBM. The Company is into retail trading business, dealing in Electronic items like consumer electronics and appliances - including ACs, Refrigerators, Invertors, CTV & LCD, Mobiles, other home appliances and Audio Products.

GERPL presently has 58 retail showrooms built on a total area of 100322 sq ft, and spread across West Bengal, Rajasthan, Odisha, Uttar Pradesh and Andhra Pradesh . It has supply agreements with more than 70 renowned vendors, including Panasonic, Samsung, LG, SONY, Whirlpool, Voltas and others.

Company Financial Performance

Key Financial Indicators	Units	FY19	FY20	FY21
Result Type		Audited	Audited	Actuals (unaudited)
Total Operating Income	Rs in Crs	726.49	662.97	515.87
EBITDA	Rs in Crs	35.96	33.2	32.2
PAT	Rs in Crs	6.06	4.62	1.76
Tangible Net worth	Rs in Crs	66.66	82.79	-
Total Debt/Tangible Net worth	Times	3.83	3.18	-
Current Ratio	Times	1.22	1.22	-

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY: Nil

Rating History for the last three years (Including withdrawn and suspended ratings)

S.No	Name of Instrument (NCD/Bank Loan /Non-Fund Based facilities/Commercial Paper etc.)	Current Rating 29 April 2021 [^]			Chronology of Rating History for the past 3 years (Rating Assigned and Press Release date) along with outlook/ Watch, if applicable					
		Type (Long Term/Short Term)	Amount Outstanding (Rs. Crs)	Rating	Date(s) & Rating(s) assigned in 2020		Date(s) & Rating(s) assigned in 2019		Date(s) & Rating(s) assigned in 2018	
1	Bank Loan Facility	Fund based-Long Term	234.35	BWR BBB, Stable (Reaffirmed) for an enhanced amount	24-Feb-2020 [^]			19-Dec-2018		
					FB-L T#	212.12	BWR BBB; Outlook: Stable (Reaffirmed) for an enhanced amount	FB-L T#	178.98	BWR BBB; Outlook: Stable (Assigned)
					Total	212.12		Total	178.98	
	Total		234.35	INR Two Hundred Thirty Four Cores Thirty Five lakhs Only						

*FB- Fund Based-Long Term

**NFB- Non Fund Based-Short Term

[^]Rating Advisory for delay in rating review was published on 03 March 2021

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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Annexure-I (Details of Facilities Rated)



Sl. No.	Type of Facilities	Long Term (Rs. Crs.)	Total (Rs. Crs.)
1.	Cash Credit	124.00	124.00
2.	Term Loan (including Loan Against Property Rs.67.29 Crs#)	110.35#	110.35#
INR Two Hundred Thirty Four Cores Thirty Five lakhs Only			234.35

#Term Loan and Loan Against Property outstanding as on February 28, 2021

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