

Date- November 12, 2024

To

**BSE Limited**

Phiroze Jeejeebhoy Towers

Dalal Street

Mumbai-400 001

**National Stock Exchange of India Limited**

Exchange Plaza

Bandra Kurla Complex, Bandra (East)

Mumbai- 400051

**Scrip Code: 540205**

**Symbol-AVL**

**Sub:- Intimation of Revision in Ratings under the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015**

Dear Sir(s)

Pursuant to Regulation 30(6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform that CRISIL Ratings vide its letter dated November 11, 2024 has given its credit rating for the bank facilities of the Company.

Please find below the details of revision in ratings for the Company:

Name of the Company	Credit Rating Agency	Type of Credit rating	Amount (Rs. in crore)	Existing Rating	Revised Rating
Aditya Vision Limited	CRISIL Ratings	Long Term Rating	270	CRISIL A- /Stable	CRISIL A /Stable

This is for your information and record.

Thanking you

Yours faithfully

**For Aditya Vision Limited**

**Akanksha Arya**

**Company Secretary**

## **Rating Rationale Aditya Vision Limited**

### **Detailed rationale:**

CRISIL Ratings has upgraded its rating on the long-term bank facilities of Aditya Vision Limited (AVL) to '**CRISIL A/Stable**' from 'CRISIL A-/Stable'.

The upgrade reflects the significant improvement in the company's capital structure, with equity infusion deployed judiciously to prepay debt and curtail external working capital borrowing. Preferential issue of over Rs 282.42 crore during fiscal 2024 to marquee investors (Smallcap World Fund INC and American Funds Insurance Series Global Small Capitalization Fund) resulted in healthy network of Rs 508 crore as on March 31, 2024. Consequently, the gearing and total outside liabilities to tangible network (TOLTNW) ratios improved to 0.25 time and 0.38 time, respectively, as on March 31, 2024, from 1.79 times and 2.19 times, respectively, a year earlier. Sustained business growth through store expansion and healthy internal cash generation sufficiently covering capital expenditure (capex) and incremental working capital requirement will be monitorable.

The rating continues to reflect the extensive experience of the promoter in the electronics retail industry, the company's established market position, healthy financial risk profile and working capital management, and sound operating efficiency. These strengths are partially offset by its exposure to intense competition in the consumer durables retail segment.

### **Analytical Approach:**

CRISIL Ratings has evaluated the standalone business and financial risk profiles of AVL.

### **Key rating drivers & detailed description:**

#### **Strengths:**

**Extensive experience of the promoter and established market position:** The operations are managed by Mr Yashovardhan Sinha, who has experience of over two decades in the consumer durable retail industry. His extensive industry experience, strong understanding of the market dynamics, healthy relationships with brand partners and ability to connect with the local population have helped the company sustain healthy scale of operations with revenue clocking three-year compound annual growth rate of 33% to Rs 1,743 crore in fiscal 2024. AVL had a strong network of 150 customer touchpoints across three states as on June 30, 2024, and increased its retail footprint to 6.2 lakh square feet (sq ft) from 4.3 lakh sq ft in fiscal 2023. The strategic addition of new stores leading to a significant increase in business over the medium term is a key rating sensitivity factor.

**Healthy financial risk profile and working capital cycle:** The network rose to Rs 508 crore as on March 31, 2024, from Rs 151 crore on March 31, 2023, as a result of healthy accretion to reserve and equity infusion through preferential issue, resulting in a sharp improvement in leverage. External borrowings largely comprise working capital debt and payables on purchase of inventory ahead of peak summer sales which commence in the first quarter. This is reflected in inventory of 99 days as on March 31, 2024. Debt protection metrics were adequate as indicated by interest coverage and net cash accrual to adjusted debt ratio of 6.7 times and 0.7 time, respectively, for fiscal 2024. In the absence of large, debt-funded capital expenditure (capex), the financial risk profile is remain healthy over the medium term.

**Sound operating efficiency:** The operating efficiency is reflected in healthy operating margin of 8-9% and return on capital employed (RoCE) of 29-36% in the three fiscals through 2024, aided by economies of scale and prudent working capital management. AVL has registered healthy same store sales (SSS) growth. Moreover, revenue per sq ft improved from Rs 34,000 in fiscal 2022 to Rs 40,000 in fiscal 2023 and Rs 45,000 in fiscal 2024. Steady increase in the scale of operations and prudent working capital management are crucial for sustenance of healthy operating metrics over the medium term.

#### **Weaknesses:**

**Exposure to intense competition in the consumer durables retail segment:** The consumer durables and mobiles industry is estimated at Rs 2,130 billion, with organised retail penetration of around 55% in fiscal 2024. The vertical gained popularity on account of the housing boom, easy access to funding, increasing disposable incomes, changing lifestyle and nuclearisation of families. Given the increasing market size, AVL faces competition because of the emergence of other retail chains and aggressive pricing policies to penetrate the markets. AVL's ability to withstand competition amid economic headwinds is crucial for mitigating risks associated with intense competition.

**Liquidity: Adequate**

Bank limit utilisation was moderate at 49% on average for the 12 months through September 2024. Cash accrual is expected over Rs 100 crore against term debt obligation of Rs 2.4 crore in fiscal 2024 and nil obligation over the medium term. The surplus will aid capex and working capital management. The current ratio was healthy at 25.9 times and the company had moderate unencumbered cash and bank balance of Rs 38 crore as on March 31, 2024.

**Outlook:** Stable

CRISIL Ratings believes AVL's strong market position, healthy relationship with brand partners and well-monitored after-sales services will support its business risk profile over the medium term.

**Rating sensitivity factors:**

**Upward factors:**

- Substantial increase in business size with revenue growth of 35%, lower sustainability risk and operating margin sustained over 7% (pre-Ind AS)
- Sustenance of healthy financial risk profile with efficient working capital management and build-up of surplus cash

**Downward factors:**

- Stiff competition leading to a fall in revenue or operating margin resulting in net cash accrual below Rs 60 crore
- Large, debt-funded capex or huge dividend payout or substantial increase in outside liabilities weakening the financial flexibility

**About the company**

Incorporated in 1999, AVL is managed by Mr Yashovardhan Sinha. The Bihar-based company is engaged in retailing of consumer durables and operates through multi-brand retail showrooms, named Aditya Vision, across Bihar, Jharkhand and eastern Uttar Pradesh.

**Key financial indicators**

<b>As on / for the period ended March 31*</b>		<b>2024</b>	<b>2023</b>
Operating income	Rs crore	1,743.29	1,322.23
Reported profit after tax (PAT)	Rs crore	98.36	79.23
PAT margin	%	5.64	5.99
Adjusted debt/adjusted networth	Times	0.25	1.79
Interest coverage	Times	6.65	7.02

\*CRISIL Ratings adjusted (excluding the impact of Ind AS 116 accounting standard)

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Annexure - Details of Instrument(s)**

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs. Crore)	Complexity levels	rating outstanding with outlook
NA	Cash credit	NA	NA	NA	150.00	NA	CRISIL A/Stable
NA	Proposed working capital facility	NA	NA	NA	5.00	NA	CRISIL A/Stable
NA	Working capital demand loan	NA	NA	NA	115.00	NA	CRISIL A/Stable

**Annexure – Details of bank lenders/facilities**

Facility	Amount (Rs. Crore)	Name of Lender	Rating
Cash credit	80	Axis Bank Limited	CRISIL A/Stable
Cash credit	70	HDFC Bank Limited	CRISIL A/Stable
Proposed working capital facility	5	Not Applicable	CRISIL A/Stable
Working capital demand loan	50	ICICI Bank Limited	CRISIL A/Stable
Working capital demand loan	65	The Federal Bank Limited	CRISIL A/Stable