

Press Release

Himalay Cellular

May 13, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 10.50 Cr
Long Term Rating	SMERA BB/Stable
Short Term Rating	SMERA A4+

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as SMERA double B) and short term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs. 10.50 crore bank facilities of Himalay Cellular. The outlook is '**Stable**'.

Himalay Cellular, established in 2006, is a Thane (Maharashtra) based partnership firm, promoted by Mr. Bhavin Thakkar and Mrs. Nirali Thakkar. Since 2006, the firm is engaged in sale of Nikon cameras and as a distributor of Nokia & Sony mobile phones. In 2015, Himalay Cellular took the distributorship of Oppo mobile phones and in 2016 the distributorship of iTel mobile phones. The firm holds the distributorship for Thane and Vashi location.

List of key rating drivers and their detailed description:

Strengths:

Experienced promoters and long track record of operation: Himalay Cellular was established in 2006 as a partnership firm by Mr. Bhavin Thakkar and Mrs. Nirali Thakkar. The firm is engaged as a distributor of Oppo mobile phones, iTel mobile phones and Nikon cameras in Thane and Vashi. Mr. Bhavin Thakkar has been involved in consumer electronics trading business from last 17 years.

Moderate Financial risk profile: Himalay Cellular has a moderate financial risk profile marked by low net worth of Rs.4.29 cr as on 31 March 2016 as against Rs.2.54 cr as on March 31, 2015. The gearing (Debt to equity) stood comfortable at 0.91 times as on March 31, 2016 (3.22 times as on March 31, 2015). Interest coverage ratio stood comfortable at 1.74 times for FY2015-16.

Moderate working capital cycle: Himalay Cellular's GCA days stand moderate at around 53 days in FY2015-16 due to comfortable debtor days at 28 and inventory holding of 22 days. The average utilisation of cash credit has been moderate at ~86 percent for the last six months ended March 2017.

Weaknesses:

Uneven revenue trend: The revenue of Himalay Cellular is uneven during the period under study. The firm's revenue increased to Rs.84.63 cr in FY2014-15 from Rs.80.25 cr in FY2013-14. In FY2015-16, the revenue decreased to Rs.54.89 cr, mainly on account of increasing competition through online sales. However, revenue has increased to Rs.90.05 cr in FY 2016-17 (provisional).

Uneven profit margins: Himalay Cellular's margins have remained uneven during the period under study. EBITDA margins improved to 3.43 per cent in FY2014-15 from 2.88 per cent in FY2013-14. However, the EBTIDA margin has marginally declined to 3.13 per cent in FY2015-16.

High dependence on the performance of Oppo mobiles and intense competition from other mobile handset manufacturers: The mobile handset market is characterised by intense competition from domestic and foreign players' viz. Samsung, Apple Iphone, Micromax, Lenovo, Vivo, etc. The performance of mobile phone retailers/dealers is also subject to technology changes and launch of new products. Around 60 per cent of Himalay Cellular's sales are from trading of Oppo mobile handsets; hence its revenues are highly dependent on the performance of Oppo mobiles.

Analytical approach: SMERA has considered the standalone financial and business risk profile of Himalay Cellular to arrive at the rating.

Outlook: Stable

SMERA believes Himalay Cellular will maintain a stable business risk profile over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm registers healthy growth in revenues while achieving sustained improvement in operating margins and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in the firm's revenues or profit margins, or in case of deterioration in the firm's financial risk profile and liquidity position.

About the Rated Entity -Key Financials

For FY2015-16, the firm reported net profit of Rs.0.74 cr on total operating income of Rs.54.89 cr as compared with net profit of Rs.1.76 cr on total operating income of Rs.84.63 cr in FY2014-15. The net worth stood at Rs.4.26 cr as on March 31, 2016 as compared to Rs.2.54 cr as on March 31, 2015.

Applicable Criteria

- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Note on complexity levels of the rated instrument:

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

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

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. Crore)	Ratings/Outlook
Cash Credit	N.A.	N.A.	N.A.	10.00	SMERA BB / Stable (Assigned)
Bank Guarantee/Letter of Guarantee	N.A.	N.A.	N.A.	0.50	SMERA A4+ (Assigned)

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ABOUT SMERA

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