

Press Release

Himalay Cellular

August 02, 2021



Rating Upgraded & Reaffirmed

Total Bank Facilities Rated*	Rs.10.50 Cr.
Long Term Rating	ACUITE BB+/Stable (Upgraded)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE BB+**' (**read as ACUITE double B plus**) from '**ACUITE BB-**' (**read as ACUITE double B minus**) and reaffirmed the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.10.50 crore bank facilities of Himalay Cellular (HC). The outlook is '**Stable**'.

The rating on HC is driven by the moderate business risk profile of the firm marked by its experienced management and low albeit improving profitability margins. Further, the rating draws comfort from the efficient working capital management of the firm. These strengths are however, offset by the below average financial risk profile of the firm characterized by relatively low networth base and high gearing levels. Further the firm's scale of operations dipped in FY21 as an impact of Covid-19 pandemic amidst the existing competition from other mobile handset brands.

About the firm

Established in 2006, Himalay Cellular is a Thane, Maharashtra based partnership firm promoted by Mr. Bhavin Thakkar and Mrs. Nirali Thakkar. The firm is engaged in the distributorship of Nikon cameras and Oppo, iTel mobile phones. Recently, the firm has also included JBL and Infinity speakers to their product portfolio. In Oct 2019, due to area realignment Himalay Cellular Distributors was established. The firm holds the distributorship for several locations across Maharashtra.

About the group firm

Established in 2019, Himalay Cellular Distributors is a Maharashtra based partnership firm promoted by Mr. Bhavin Thakkar and Mrs. Krishna Thakkar. The firm is engaged in the distributorship of Oppo mobile phones across several locations in Maharashtra.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of Himalay Cellular (HC) and Himalay Cellular Distributors (HCD). The consolidation is in the view of common management, operational linkages between the entities and similar line of business operations. Extent of consolidation: Full.

Key Rating Drivers

Strengths

- Experienced management and long track record of operations**

Himalay Cellular was established by Mr. Bhavin Thakkar and Mrs. Nirali Thakkar. Mr. Bhavin Thakkar has been involved in consumer electronics trading business since past 20 years. The management is also supported by the second generation, who are actively involved in the business. Further, the firm has established relationships with leading suppliers like Inlead Electronics Pvt Ltd., Nikon India Pvt. Ltd., since over a decade. Acuité derives comfort from the long experience of the promoters and believes this will benefit the firm going forward, resulting in steady growth in the scale of operations.

- Prudent working capital management**

The efficient working capital cycle of the group is marked by low Gross Current Assets (GCA) of 57 days in FY2021 (provisional) as compared to 38 days in FY2020. The debtor period stood comfortable at 34 days as on March 31, 2021 (prov.) as compared to 27 days as on March 31, 2020. Further, the inventory period also stood

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low at 19 days as on 31st March, 2021 (prov.) as compared to 6 days as on 31st March, 2020. Acuité believes that the working capital management of the group will remain at efficient levels as evident from the efficient collection mechanism and low inventory levels over the medium term.

Weakness

- **Below average financial risk profile**

The group's below average financial risk profile is marked by relatively low networth, high gearing level and comfortable debt protection metrics. The tangible net worth of the group improved to Rs.5.79 Cr as on 31st March, 2021 (provisional) from Rs.4.76 Cr as on 31st March, 2020. Gearing of the stood at 2.65 times as on 31st March, 2021 (prov.) from 2.42 times as on 31st March, 2020. The debt of Rs.7.87 Cr in FY21 (prov.) comprises of short term debt of Rs.14.49 Cr, unsecured loan from financial institution of Rs.0.72 Cr and long term facilities from bank of Rs.0.13 Cr (Covid loan). The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.71 times as on 31st March, 2021 (prov.) as against 2.40 times as on 31st March, 2020. The comfortable debt protection metrics of the group is marked by Interest Coverage Ratio at 2.66 times and Debt Service coverage ratio at 2.66 times as on 31st March, 2021 (prov.). The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.12 times as on 31st March, 2021 (prov.). Acuité believes that going forward the financial risk profile of the group will improve backed by steady accruals and no major debt funded capex plans.

- **Reduction in the scale of operations due to Covid-19**

The group has achieved revenues of Rs.131.75 Cr in FY2021 (prov.) as compared to revenues of Rs.151.70 Cr in FY2020 and Rs.121.78 Cr in FY2019, thereby registering a y-o-y decline of 13.15 per cent in FY2021 and a y-o-y growth of 24.57 per cent in the previous year. The reduction in revenue in FY21 is primarily a consequence of the Covid-19 induced lockdowns and sales were affected due to the same. However, the group has achieved revenue of around Rs.28 Cr till June'21 (prov.).

- **Intense competition from other mobile handset brands**

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 70 per cent of group's revenue comes from trading of Oppo mobile handsets; hence its revenues are highly dependent on the performance of Oppo mobile phones.

Rating Sensitivity

- Growth in scale of operations while improving profitability margins
- Improvement in financial risk profile

Material Covenant

None

Liquidity Profile: Adequate

The group's liquidity position is adequate marked by net cash accruals of Rs.1.92 Cr in FY2021 (prov.) as against no long term debt repayment over the same period. The current ratio stood comfortable at 1.43 times as on 31st March, 2021 (prov.) as compared to 1.48 times as on 31st March, 2020. The group has an efficient working capital cycle as reflected by Gross Current Assets (GCA) of 57 days in FY2021 (prov.) as compared to 38 days in FY2020. The cash and bank balances of the group stood at Rs.0.47 Cr in FY2021 (prov.) as compared to Rs.0.60 Cr in FY2020. The group's fund based limit remained utilised at 66 per cent over seven months ended June, 2021. However, Himalay Cellular availed a Covid loan of Rs.0.13 Cr but no loan moratorium. Acuité believes that going forward the liquidity position of the group will improve due to steady accruals.

Outlook: Stable

Acuité believes that the outlook on HC will remain 'Stable' over the medium term on account of the experience of the promoters, long track record of operations and moderate business risk profile. The outlook may be revised to 'Positive' in case the firm witnesses a material improvement in its scale of operations, while expanding its networth base. Conversely, the outlook may be revised to 'Negative' in case of any significant elongation in its working capital management leading to deterioration of its gearing and liquidity position.

About the Rated Entity - Key Financials (Standalone)

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	131.75	151.70
PAT	Rs. Cr.	1.89	1.30
PAT Margin	(%)	1.44	0.86
Total Debt/Tangible Net Worth	Times	2.65	2.42
PBDIT/Interest	Times	2.66	1.96

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount	Ratings/Outlook
			(Rs. Crore)	
07 January 2021	Cash credit	Long term	10.00	ACUITE BB- (Downgraded from ACUITE BB) Issuer not co-operating*
	Bank Guarantee	Short Term	0.50	ACUITE A4+ Issuer not co-operating*
15 October 2019	Cash credit	Long term	10.00	ACUITE BB Issuer not co-operating*
	Bank Guarantee	Short Term	0.50	ACUITE A4+ Issuer not co-operating*
26 July 2018	Cash credit	Long term	10.00	ACUITE BB Issuer not co-operating*
	Bank Guarantee	Short Term	0.50	ACUITE A4+ Issuer not co-operating*

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Lenders Name	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	DNS Bank	10.00	ACUITE BB+/Stable (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	DNS Bank	0.50	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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