



**Press Release**  
**HIMALAY CELLULAR**  
**October 10, 2023**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.25	ACUITE BB   Stable   Reaffirmed	-
Bank Loan Ratings	0.25	-	ACUITE A4+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	10.50	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating to '**ACUITE BB**' (read as **ACUITE double B**) 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**'.

**Rationale for the Reaffirmation**

The rating reaffirmation is driven by the extensive experience of the management in the Oppo Mobile Phone trading business. . The revenue of the group stood at Rs. 149.42 Cr. in FY2023 (Prov.) as compared to Rs. 157.31 Cr. in FY2022 and Rs. 130.45 Cr. in FY2021. The slight decrease in revenue in FY2023(Prov.) was primarily due to lesser off-takes of Oppo Mobile Phones by the group. The lesser off-take a decline in the dealer margin by Oppo Mobile Phones leading to. Oppo had reduced dealership margin due to stiff competition faced by the other mobile brand. However, presently Oppo is launching new smart phones during festive seasons which is expected to result in better off-takes by the group during FY2024 and thus improvement in their overall revenues. The operating margins of the firm stood at 0.75% in FY2023(Prov.) and 2.84% in FY2022. The group has achieved revenues of Rs. 68 Cr till five months ended August FY2024. Furthermore, the rating also draws comfort from its efficient working capital management of the group.. These strengths are, however, offset by the below-average financial risk profile of the group. Further, the group's high dependence on the performance of Oppo mobiles and intense competition from other mobile handset manufacturers are the major factors which constrains the rating.

**About the Company**

Incorporated in 2006, HC is a Thane, Maharashtra based partnership firm promoted by Mr. Bhavin Thakkar and Mrs. Nirali Thakkar. Mrs. Thakkar is expected to exit the business and her brother, Mr. Rohan Thakkar is expected to be inducted as a partner by December 2023 by bringing in the proportionate partnership capital as was held by Mrs. Thakkar. The firm is primarily engaged in the distributorship of Oppo mobile phones. It also trades in iTel mobile phones, Nikon Cameras among others. Recently, the firm has also included JBL and Infinity speakers to their product portfolio. However, Oppo Mobile Phone distributorship is a major contributor on the overall revenues (~80 per cent) of the firm. The firm holds the distributorship for several locations across Maharashtra.

**About the Group**

In Oct 2019, due to area realignment for distributorship of Oppo Mobile Phones, Himalay Cellular Distributors (HCD) was established. HC) 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.

## Standalone (Unsupported) Rating

Not Applicable

## Analytical Approach

Acuité has consolidated the business and financial risk profiles of HC and HCD, together referred to as Himalay group. 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**

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

#### **Efficient working capital management**

The working capital management of the group is marked by a gross current asset (GCA) of 35 days for FY2023 (prov.) as compared to 39 days for FY2022. The low GCA days are on account of a low inventory period and a comfortable debtor cycle. The inventory holding stood at 11 days for FY2023 (prov.) as against 10 days for FY2022. The debtor period stood at 11 days for FY2023 (Prov.) as against 10 days for FY2022, owing to an efficient billing cycle. However, the group has to make advance payment to its suppliers leading to dependence on bank lines for meeting its working capital requirements. The group's bank limit utilisation remained high at 74% in the last seven months ended July 2023. Acuité believes that the working capital cycle will remain efficient over the medium term on account of efficient collection mechanisms and low inventory cycle albeit advance payments being made to its suppliers.

### Weaknesses

**High dependence on the performance of Oppo mobiles and intense competition from other mobile handset manufacturers** The group is engaged in the dealership of Oppo mobile phones across several locations in Maharashtra. The industry is characterised by the presence of several established foreign brands along with a few domestic brands. The performance of mobile phone retailers/dealers is also subject to technology changes and launch of new products. Around 80 per cent of the group's sales are from trading of Oppo mobile handsets; hence its revenues are highly dependent on the performance of Oppo mobiles.

#### **Below average financial risk profile**

The financial risk profile of the group remained below average, marked by low net worth, moderate gearing, and comfortable debt protection metrics. The net worth of the group improved yet remained low at Rs. 7.14 Cr. as of FY2023 (prov.) as compared to Rs. 5.61 Cr. as of FY2022 mainly due to accretion to profits. The gearing (debt-equity) stood at 1.18 times as on FY2023 (Prov.) as opposed to 2.18 times as on FY2022. The total outside liabilities to tangible networth stood at 1.19 times as on March 31, 2023 (Prov.) as against 2.13 times as on March 31, 2022. Although the debt coverage indicators are marked by interest coverage ratio (ICR) at 2.35 times and the DSCR at 2.35 times in FY2023 (prov.) The operating margins of the firm stood at 0.75% in FY2023(Prov.) and 2.84% in FY2022. . Acuite believes that although the debt coverage indicators have been comfortable but the financial risk profile would be constrained due to low net worth and dependence on borrowings for funding working capital

requirements over the medium term. The gearing (debt-equity) stood at 1.18 times as on FY2023 (Prov.) as opposed to 2.18 times as on FY2022. The total outside liabilities to tangible networth stood at 1.19 times as on March 31, 2023 (Prov.) as against 2.13 times as on March 31, 2022. Although the debt coverage indicators are marked by interest coverage ratio (ICR) at 2.35 times and the DSCR at 2.35 times in FY2023 (prov.). Acuite believes that although the debt coverage indicators have been comfortable but the financial risk profile would be constrained due to low net worth and dependence on borrowings for funding working capital requirements over the medium term.

### **Rating Sensitivities**

- Sustainability of revenues while improving margins
- Working capital management

### **All Covenants**

None

### **Liquidity Position Stretched**

The liquidity position of the group is stretched marked by low net cash accruals and dependence on bank loans to meet working capital requirements. The group had low net cash accruals of Rs. 1.69 crore in FY2023 (Provisional). Going forward, the net cash accruals are expected to be sufficient to repay its working capital term loan obligations of Rs. 80 lakhs in FY2024. The working capital management of the group remained efficient marked by Gross Current Assets (GCA) of 35 days for FY2023 (Prov.) as compared to 39 days as on FY2022. The bank limit utilisation high at 74% in the last seven months ended July 2023. The cash and bank balances of the group stood at Rs. 0.48 crore as on FY2023 (Provisional). The current ratio stood at 3.09 times as on FY2023 (prov.) as compared to 3.02 times as on FY2022. Acuite believes that the liquidity position of the group will remain stretched over the medium term due to improving but low cash accruals and dependence on bank lines to fund working capital requirements over the medium term.

### **Outlook: Stable**

Acuite believes that the outlook on the Himalay group will remain 'Stable' over the medium term on account of the experience of the promoters and efficient working capital management. The outlook may be revised to 'Positive' in case the group improves its scale of operations while improving margins and expanding its net worth 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.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	149.42	157.31
PAT	Rs. Cr.	1.69	3.28
PAT Margin	(%)	1.13	2.09
Total Debt/Tangible Net Worth	Times	1.18	2.12
PBDIT/Interest	Times	2.35	3.78

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité 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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Oct 2022	Bank Guarantee	Short Term	0.50	ACUITE A4+ ( Issuer not co-operating*)
	Cash Credit	Long Term	10.00	ACUITE BB (Downgraded and Issuer not co-operating*)
02 Aug 2021	Cash Credit	Long Term	10.00	ACUITE BB+   Stable (Upgraded from ACUITE BB-)
	Bank Guarantee	Short Term	0.50	ACUITE A4+ (Reaffirmed)
07 Jan 2021	Cash Credit	Long Term	10.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	0.50	ACUITE A4+ (Issuer not co-operating*)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
DNS Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.25	ACUITE A4+   Reaffirmed
DNS Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE BB   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.25	ACUITE BB   Stable   Reaffirmed
DNS Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	2.00	ACUITE BB   Stable   Reaffirmed

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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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