



Press Release
Himalay Cellular
December 31, 2024
Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.25	ACUITE BB- Stable Downgraded	-
Bank Loan Ratings	0.25	-	ACUITE A4 Downgraded
Total Outstanding Quantum (Rs. Cr)	10.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded its long-term rating to **‘ACUITE BB-’** (read as **ACUITE double B minus**) from **‘ACUITE BB’** (read as **ACUITE double B**) and also downgraded its short-term rating to **‘ACUITE A4’** (read as **ACUITE A four**) from **‘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 downgrade

The rating downgrade considers, the decline recorded in HC’s profitability margins, stagnant scale of operations and deterioration of the financial risk profile in FY2024. The revenue stood range bound at Rs.150.70 Cr. in FY24 against Rs.149.57 Cr. in FY23 and Rs.157.31 Cr. in FY22. Further, the operating profit margin declined to 1.05% in FY24 from 1.31% in FY23 primarily due to increase in selling and administrative expenses. Furthermore, the financial risk profile deteriorated on account of decline in net worth, increased debt levels and lower profitability. However, the rating draws comfort from the experienced management and established track record of operations of the group.

Going ahead, the ability of the group to improve its operating performance and financial risk profile will remain key monitorable.

About the Company

Himalay cellular, based out of Thane, Maharashtra was established in 2001 and was converted to Partnership in 2006. The firm and its partners have experience in distribution of electronics and mobile trade. Firm has experienced partners and has varied products of different brands. Currently the firm has sole selling distribution for OPPO brand, Nokia Mobiles, Nikon camera.

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

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

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.

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 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., Nikon India Pvt. Ltd., since over a decade. Acuité derives comfort from the long experience of the promoters and believes this will benefit the group going forward, to improve its operating and financial performance.

Efficient working capital management

The efficient working capital management of the group is marked by Gross Current Assets (GCA) of 50 days for FY2024 as compared to 36 days as on FY2023. The low GCA days are on account of low inventory period and comfortable debtor cycle. The inventory holding stood at 12 days for FY2024 as against 11 days for FY2023. The debtor period stood at 36 days for FY2024 as against 22 days of FY2023 owing to efficient billing cycle.

Acuité believes that the working capital cycle will remain efficient over the medium term on account of efficient collection mechanism and low inventory cycle.

Weaknesses

Deterioration in the profitability margins coupled with stagnation in revenue

The revenue of the group has remained range bound since 2022. Further, the operating profit margin declined to 1.05% in FY24 from 1.31% in FY23 primarily on account of increased selling and administrative expenses during the year. The revenue and profitability is further expected to remain in similar range in the near term.

Going forward, ability of the group to improve its operating performance will remain key monitorable

Below average financial risk profile

The financial risk profile of the group remained below average marked by modest net worth base, increased gearing and moderate yet declined debt protection metrics. The tangible net worth of the group slightly decreased to Rs. 6.58 Cr. as of March 31, 2024 from Rs. 7.23 Cr. as of March 31, 2023 as there was a minor withdrawal of capital by the partner's during the year. Gearing of the group moderated from 1.16 times as of March 31, 2023 to 2.00 times as of March 31, 2024. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.26 times as of March 31, 2024 as against 1.14 times as of March 31, 2023. ICR declined to 2.37 times in FY24 from 2.71 times in FY23. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.14 times for FY24 as against 0.25 times for FY23 with the net cash accruals of Rs. 1.88 Cr. Acuité believes that going forward the financial risk profile of the group will remain at similar levels over the medium term.

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 Sensitivities

- Improvement in the overall financial risk profile
- Improvement in profitability margins
- Improvement in scale of operations

Liquidity Position

Adequate

The liquidity position of the group is adequate marked by net cash accruals of Rs. 1.88 crore in FY2024 as against nil repayment obligations over the same period. The working capital management of the group remained efficient marked by Gross Current Assets (GCA) of 50 days for FY2024 as compared to 36 days as on FY2023. The Fund based limit utilisations is marked by ~87% in the last six months ended November 2024. The cash and bank balances of the group stood at Rs. 0.78 crore as on FY2024. The current ratio stood at 1.82 times as on FY2024 as compared to 3.24 times as on FY2023.

Acuité believes that the liquidity position of the group will remain adequate over the medium term on account of expected improvements in the accruals generation.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	150.70	149.57
PAT	Rs. Cr.	1.85	2.11
PAT Margin	(%)	1.22	1.41
Total Debt/Tangible Net Worth	Times	2.00	1.16
PBDIT/Interest	Times	2.37	2.71

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

Not Applicable

Any Other Information

None

Applicable Criteria

- 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>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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. Acuité'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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
10 Oct 2023	Bank Guarantee (BLR)	Short Term	0.25	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE BB Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	2.00	ACUITE BB Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	1.25	ACUITE BB Stable (Reaffirmed)
19 Oct 2022	Bank Guarantee (BLR)	Short Term	0.50	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
	Cash Credit	Long Term	10.00	ACUITE BB (Downgraded & Issuer not co-operating* from ACUITE BB+ Stable)
02 Aug 2021	Bank Guarantee (BLR)	Short Term	0.50	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BB+ Stable (Upgraded from ACUITE BB-)
07 Jan 2021	Bank Guarantee (BLR)	Short Term	0.50	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
	Cash Credit	Long Term	10.00	ACUITE BB- (Downgraded & Issuer not co-operating* from ACUITE BB)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
DNS Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.25	Simple	ACUITE A4 Downgraded (from ACUITE A4+)
DNS Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.00	Simple	ACUITE BB- Stable Downgraded (from ACUITE BB)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.25	Simple	ACUITE BB- Stable Downgraded (from ACUITE BB)
DNS Bank	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	11 Jul 2027	2.00	Simple	ACUITE BB- Stable Downgraded (from ACUITE BB)

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr. No.	Company Name
1.	Himalay Cellular
2.	Himalay Cellular Distributors

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Abhishek Singh Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

About Acuité Ratings & Research

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