

## HP Telecom India Limited (Revised)

October 14, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	21.60	CARE BB; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	55.00	CARE BB; Stable / CARE A4+; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

HP Telecom India Limited (HPIL) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Rating Ltd.'s ratings on HPIL's bank facilities will now be denoted as **CARE BB; Stable/ CARE A4+; ISSUER NOT COOPERATING\***.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.**

The ratings assigned to the bank facilities of HPIL continue to remain constrained on account of improved although moderate scale of operations, thin profitability, moderately leveraged capital structure and moderate debt coverage indicators during FY24 (Audited, FY refers to period April 01 to March 31). The ratings also remain constrained on account of HPIL's presence in fragmented and competitive nature of industry and technology obsolescence risk and stretched liquidity.

The ratings, however, derive strength from experienced promoters, association with reputed Brand "Apple", geographically expanded wide distribution network in the country and efficient management of working capital cycle.

**Analytical approach:** Standalone

**Outlook:** Stable

CARE Ratings believes that entity will sustain its overall financial risk profile with improvement in scale of operations and will continue to derive benefit from experience of promoters in the trading industry.

### Detailed description of key rating drivers:

At the time of last rating on July 26, 2023, the following were the rating strengths and weaknesses (updated for the information provided by HPIL)

#### Key weaknesses

##### Significant increase in scale of operations albeit remained moderate with thin profitability margins

Scale of operations improved marked by Total Operating Income (TOI) of Rs.1078.62 crore in FY24 as against Rs.637.51 crore in FY23. HPIL achieved TOI of ~Rs.250 crore in QIFY25. Profitability margins remained continued to remain thin with marginal dip in operating margins to 1.70% during FY24 as against 1.96% in FY23, though improved in absolute terms. Consequently, PAT margin remained thin at 0.80% in FY24 as against 1.06% in FY23. However, with significant increase in scale of operations, HPIL reported PAT of Rs.8.59 crore during FY24 as against Rs.6.75 crore in FY23.

##### Moderately leveraged capital structure and moderate debt coverage indicators

Capital structure remained moderately leveraged marked by overall gearing at 3.39x as on March 31, 2024 (2.89x as on March 31, 2023). Capital structure deteriorated on account of enhanced working capital limits during the year consequent to increase in scale of operations. Debt coverage indicators remained moderate marked by Total Debt to GCA (TDGCA) of 11.41 years as on March 31, 2024 (8.72 years as on March 31, 2023). Interest coverage ratio remained at 2.33x for FY24 as against 2.56x in FY23.

##### Fragmented and competitive nature of industry

The consumer durable electronics industry is characterized by intense competition, with a strong emphasis on price sensitivity and value. The presence of both domestic and foreign players contributes to a fragmented market, leading to stiff price competition. To gain a larger market share, electronic companies in India are implementing various strategies, including bundled offers, discounts, and aggressive pricing. However, these tactics are negatively impacting the profitability margins of both manufacturers and traders. The highly competitive environment and price-focused initiatives have made it challenging for businesses to maintain healthy profit margins.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

### Technology obsolescence risk

Technological obsolescence is an inherent risk in any technology related business and applies to the consumer durables electronics distribution business. The company continues to remain exposed to the risk associated with inventory holding and stock liquidation, which could have an adverse impact on its profitability in the event of the company being unable to liquidate the inventory.

### Key strengths

#### Experienced Promoters

HTPL is being incorporated and managed by promoters Mr. Vijay L. Yadav and Ms. Seema V. Yadav and both the promoters have more than a decade of experience in wholesale distribution business. Both the promoters jointly look after overall business operations of HVC. Promoters have also incorporated HV Connecting Infra (India) Private Limited (rated: CARE BB; Stable/ CARE A4), distributor of Real Me and Jio phones.

#### Association with reputed Brand "Apple"

HPIL is a zonal distributor of popular Apple products such as Air Pods, iPad, iPhone, Apple Watch, and mobile accessories. The total sales of Apple products in India grew by 33% to \$8 billion in FY24 as against \$6 billion in FY23. Apple's market share in India stood at 6.7% in FY24 as against 5.6% in FY23.

#### Geographically expanded wide distribution network

HPIL's sales span across six key states in India, viz. Gujarat, Karnataka, Maharashtra, Madhya Pradesh, Chhattisgarh and Uttar Pradesh. Among these states, Gujarat and Madhya Pradesh contribute 86% towards TOI during FY24. Sales from State of Gujarat, Madhya Pradesh and Chhattisgarh has increased significantly during FY24. Further, HPIL has long standing relation with its customers that are regional distributors.

#### Efficient management of working capital cycle

Operating cycle improved to 11 days during FY24 from 19 days during FY23 mainly on account of enhanced credit period received from creditors.

#### Liquidity: Stretched

The liquidity profile of HPIL remained stretched marked by moderate utilization of working capital limits. The average fund-based working capital limit utilisation remained at 60% during past twelve months ended August 2024. Working capital cycle improved and remained comfortable at 11 days. Current ratio remained at 1.02 for both FY24 and FY23. Cash and bank balance remained high at Rs.29.42 crore as on March 31, 2024 (Rs.27.42 crore as on March 31, 2023). HPIL generated gross cash accruals of Rs.8.66 crore in FY24 as against debt repayment obligation of Rs.0.62 crore during FY25.

### Applicable criteria

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Wholesale Trading](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Commercial Services & Supplies	Trading & Distributors

Surat-(Gujarat) based HP Telecom India Limited (HPIL), which changed from Private Limited company to Public Limited Company on February 26, 2024, was initially incorporated in March 2011, by Mr. Vijay L. Yadav and Ms. Seema V. Yadav. HPIL is Surat based distributor engaged in wholesale distribution of Apple products. HPIL has around 500 distributors in 5 states viz. Gujarat, Madhya Pradesh, Chhattisgarh, Maharashtra & Karnataka. It has head office at Surat, Gujarat and 5 Branch office at Baroda, Rajkot, Ahmedabad, Madhya Pradesh & Chhattisgarh.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	637.51	1,078.62
PBILDT	12.47	18.37
PAT	6.75	8.59
Overall gearing (times)	2.89	3.39
Interest coverage (times)	2.56	2.33

A: Audited UA: Unaudited; Note: these are latest available financial results

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

**Any other information:** Not Applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT- Stand by Limits		-	-	-	20.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT- Term Loan		-	-	10/08/2024	1.60	CARE BB; Stable; ISSUER NOT COOPERATING*
LT/ST Fund-based/Non-fund-based- CC/WCDL/OD/LC/BG		-	-	-	55.00	CARE BB; Stable / CARE A4+; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

#### Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	LT/ST Fund-based/Non-fund-	LT/ST	55.00	CARE BB; Stable / CARE	-	1)CARE BB; Stable	-	-

	based- CC/WCDL/OD/LC/BG			A4+; ISSUER NOT COOPERATING*		/ CARE A4+ (26-Jul- 23)		
2	Fund-based - LT- Term Loan	LT	1.60	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (26-Jul- 23)	-	-
3	Fund-based - LT- Stand by Limits	LT	20.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (26-Jul- 23)	-	-

\*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

### Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

### Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Stand by Limits	Simple
2	Fund-based - LT-Term Loan	Simple
3	LT/ST Fund-based/Non-fund-based- CC/WCDL/OD/LC/BG	Simple

### Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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### About us:

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### Disclaimer:

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