

HP Telecom India Limited

December 02, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	60.00	CARE BB+; Stable	Assigned
Long Term / Short Term Bank Facilities	75.00 (Enhanced from 55.00)	CARE BB+; Stable / CARE A4+	Rating removed from ISSUER NOT COOPERATING category and LT rating upgraded from CARE BB; Stable and ST rating reaffirmed
Long Term Bank Facilities	-	-	Withdrawn@

Details of instruments/facilities in Annexure-1.

@The facilities are fully repaid and there are no dues outstanding against the said facility

Rationale and key rating drivers

In the absence of receipt of surveillance fees, in line with the extant SEBI guidelines, CARE Ratings Ltd (CARE Ratings) had placed the ratings of bank facilities of HP Telecom India Limited (HPTI) into 'ISSUER NOT COOPERATING'. However, the entity has now paid the annual surveillance fees. Hence, CARE Ratings Ltd has carried out a full review of the ratings and the ratings stand at 'CARE BB+; Stable/ CARE A4+'.

The upgrade in the ratings assigned to the bank facilities of HPTI is due to substantial increase in the scale of operations along with adequate liquidity during FY24 (audited, FY refers to period from April 01 to March 31). The ratings further continue to derive comfort from experienced promoters, association with reputed Brand "Apple" and geographically expanded wide distribution network.

The ratings, however, continue to remain constrained on account of thin profitability inherent to distributorship nature of business, moderately leveraged capital structure and moderate debt coverage indicators. Further, the ratings continue to remain constrained with HPTI's presence in fragmented and competitive nature of industry as well as technology obsolescence risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Reporting scale of operations marked by Total Operating Income (TOI) of Rs.1500 crore or more with Total Debt/PBILDT below 3 times.
- Improvement in capital structure marked by overall gearing at 2 times or lower and debt coverage indicators with interest coverage of above 3x and TDGCA of below 5 years on sustained basis.

Negative factors

- Decline in scale of operations marked by TOI of less than Rs.700 crore and PBILDT margin below 1%.
- Deterioration in capital structure and debt coverage indicators with overall gearing above 4x and Interest coverage below 1.5x respectively.

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:

Key weaknesses

Thin profitability margins

HPIL is Surat based distributor engaged in wholesale distribution majorly of "Apple" products. Consequent to trading nature of business, profitability margins remain thin with marginal dip in operating margins to 1.70% during FY24 as against 1.96% in FY23, though improved in absolute terms with increase in scale of operations. Consequently, PAT margin remained thin at 0.80% in FY24 as against 1.06% in FY23. HPIL reported PAT of Rs.8.59 crore during FY24 as against Rs.6.75 crore in FY23 in absolute terms.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Moderately leveraged capital structure and moderate debt coverage indicators

Capital structure deteriorated though continue to remain moderately leveraged marked by overall gearing at 3.39x as on March 31, 2024 (2.89x as on March 31, 2023). The deterioration is due to increase in working capital requirement consequent to increase in scale of operations. Consequent to increase higher outstanding debt, 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.

Presence in 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.

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

Significant increase in scale of operations

The scale of operations as marked by TOI improved substantially with a Compounded Annual Growth Rate (CAGR) of 46% during past four years ended FY24. HPTI reported TOI of Rs.1078.62 crore in FY24 with a growth rate of 69% driven by increase in the demand of apple products led by rise in spending power among consumers. During FY24, sales of I-phone increased from 92000 units in FY23 to 135000 units in FY24. I-Phone sales contribute ~90% of TOI of HTPI. Further, HPTI has reported TOI of ~Rs.850 crore till October 31, 2024.

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

The operations are working capital intensive owing to trading nature of business where funds are being blocked in inventory and receivables. Average working capital cycle of HPTI remained at 11 days in FY24 as compared to 21 days in FY23 mainly due to higher outstanding creditors as on balance sheet date. The inventory holding also increased due to higher purchases made during end of the year. The firm primarily fulfils its working capital requirements through working capital borrowing.

Liquidity: Adequate

Liquidity improved and remained adequate marked by low term debt obligations, moderate utilization of working capital limits and comfortable operating cycle. The fund-based working capital limit utilisation remained at ~60% during past twelve months ended August 2024. Operating cycle continue to remain comfortable at 11 days in FY24 (19 days in FY23). Current ratio remained at 1.02x as on March 31, 2024. 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). HPTI 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](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Wholesale Trading](#)

[Withdrawal Policy](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	In dustry	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 states viz. Gujarat, Madhya Pradesh, Chhattisgarh and Western Uttar Pradesh. 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; 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		-	-	-	0.00	Withdrawn
Fund-based - LT- Term Loan		-	-	10/08/2024	0.00	Withdrawn
Fund-based - LT- Working Capital Limits		-	-	-	60.00	CARE BB+; Stable
LT/ST Fund-based/Non-fund-based- CC/WCDL/OD/LC/BG		-	-	-	75.00	CARE BB+; Stable / CARE A4+

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-based- CC/WCDL/OD/LC/BG	LT/ST	75.00	CARE BB+; Stable / CARE A4+	1)CARE BB; Stable / CARE A4+; ISSUER NOT COOPERATING* (14-Oct-24)	1)CARE BB; Stable / CARE A4+ (26-Jul-23)	-	-
2	Fund-based - LT- Term Loan	LT	-	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (14-Oct-24)	1)CARE BB; Stable (26-Jul-23)	-	-
3	Fund-based - LT- Stand by Limits	LT	-	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (14-Oct-24)	1)CARE BB; Stable (26-Jul-23)	-	-
4	Fund-based - LT- Working Capital Limits	LT	60.00	CARE BB+; Stable				

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

LT: Long 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	Fund-based - LT-Working Capital Limits	Simple
4	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 for clarifications.

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About us:

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