

November 07, 2024

Big C Mobiles Pvt. Ltd.: Ratings reaffirmed and outlook revised to Negative from Stable; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Cash credit	29.50	37.00	[ICRA]BBB- reaffirmed and outlook revised to Negative from Stable; assigned for enhanced amount
Short-term – Non-fund based – Others	5.00	5.00	[ICRA]A3; reaffirmed
Long-term / Short-term – Unallocated	2.50	0.00	-
Total	37.00	42.00	

*Instrument details are provided in Annexure-I

Rationale

The revision in outlook to Negative from Stable for Big C Mobiles Pvt. Ltd. (BMPL) factors in the sustained moderate debt coverage metrics in FY2024, which is expected to continue in FY2025 due to increase in selling and marketing expenses and operating losses from its subsidiary, Big C Mobiles TN Pvt Ltd. The company's adjusted¹ interest coverage remained below 2.4 times over the last two fiscals and is projected to remain moderate at 2.5 times in FY2025. Further, its TOL/TNW ratio remains high at 5.1 times as on March 31, 2024 (PY: 4.4 times) and is likely to remain elevated as on March 31, 2025, owing to a moderation in net worth with continued expected losses in the subsidiary.

The rating reaffirmation for BMPL factors in the promoters' significant experience in the mobile retailing business leading to established relationships with major mobile phone suppliers. The company operates 227 stores under the brand 'Big C' as of June 2024, with reputed presence and a strong market position in Andhra Pradesh and Telangana. The rating considers an estimated revenue growth of 5% year-on-year (YoY) in FY2025, supported by higher sales of high-end mobile phones and operating margins are expected to be low around 1.4-1.5%.

The company has enhanced its working capital limits to Rs. 49.5 crore in November 2023 from Rs. 40 crore to support the increase in its scale of standalone operations and inventory levels of its subsidiary. However, the average utilisation remained high at 83% during April 2023 to August 2024, providing limited cushion. The flexibility to reduce the directors' remuneration and availability of need-based unsecured loans from promoters support the liquidity to an extent.

The ratings are constrained by the high brand concentration risk with the top three brands – Vivo, Xiaomi, and Samsung, contributing to ~60% of the total sales in FY2024. Despite the company's foray into Tamil Nadu, it is exposed to geographical risk, as it generates more than 95% of the total sales from stores in Andhra Pradesh and Telangana. The ratings also consider the intense competition in the industry from e-commerce players, other large mobile retail chains and unorganised stores.

Key rating drivers and their description

Credit strengths

Significant experience of promoters with presence in mobile retailing industry for over 15 years – The promoters have more than 15 years of experience in the mobile retailing business, which has led to long working relationships with all marquee names in the mobile retail industry, aiding its sales growth. BMPL has a strong presence in Andhra Pradesh and Telangana,

¹ Charges paid on credit cards and commission to financiers considered as a part of selling expense

leading to an established market position in the region. It is one of the largest retailers with 227 stores as on June 30, 2024, spread across two states.

Established tie-ups with major mobile phone suppliers – BMPL has established relationships with suppliers of mobile phones such as VIVO, Oppo, Samsung, Xiaomi, etc, which have been contributing to most of its sales over the past few years. The revenues are estimated to grow by 5% YoY in FY2025, supported by higher sales of high-end mobile phones and operating margins are expected to be low at around 1.4-1.5%.

Credit challenges

Sustained moderate debt protection metrics with continuous losses in subsidiary – BMPL’s debt coverage metrics moderated in FY2024, which is expected to continue in FY2025 due to increase in selling and marketing expenses and operating losses from its subsidiary, Big C Mobiles TN Pvt Ltd. The company’s adjusted interest coverage remained below 2.4 times in the last two fiscals and is projected to be moderate at 2.5 times in FY2025. Further, its TOL/TNW ratio remains high at 5.1 times as on March 31, 2024 (PY: 4.4 times) and is likely to remain elevated as on March 31, 2025, owing to a moderation in net worth with continued expected losses in the subsidiary.

Geographical and product concentration risks amid intense competition in mobile retail industry – The company is exposed to high brand concentration risk with the top three brands - Vivo, Xiaomi, and Samsung, contributing to ~60% of the total sales in FY2024. Despite its foray into Tamil Nadu, BMPL remains exposed to geographical risk as it generates more than 95% of the total sales from stores in Andhra Pradesh and Telangana. The ratings consider the intense competition in the industry from e-commerce players, other large mobile retail chains and unorganised stores.

Liquidity position: Stretched

The company’s liquidity position is stretched with free cash balance of Rs. 4.68 crore as of March 31, 2024. The average working capital utilisation stands high at 83% for the 12-month period ending August 2024. It has Rs. 5.4 crore of principal debt obligation in FY2025, which can be serviced through its estimated cash flow from operations and available liquidity. The company has capex plans of Rs. 5-10 crore in FY2025, which will be funded through a mix of debt and internal accruals.

Rating sensitivities

Positive factors – The outlook can be revised to Stable if there is an increase in profitability resulting in an improvement in debt coverage metrics and liquidity position.

Negative factors – Negative pressure on the ratings could arise if there is sustained pressure on the company’s revenues or margins or deterioration in its working capital cycle impacting the debt coverage metrics or liquidity position on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Retail
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of BIG C Mobiles Pvt. Ltd. The list of entities forming part of BIGC’s consolidated financials are enlisted in Annexure-II

About the company

Big C Mobiles Private Limited (BMPL) was incorporated in 2002 by Mr. Guru Swamy Naidu, Mr. Balachandrudu, Mr. Balaji and Mr. Kailash as Balaji Watch and Mobiles Private Limited and was engaged in retailing of watches and mobile phones. In 2006, the company discontinued the retailing of watches and limited its business to mobile phones through a chain of multi-brand outlets under the name of 'Big C'. As on March 31, 2024, BMPL had 227 retail outlets spread across Andhra Pradesh and Telangana selling mobile phones of brands such as Samsung, Xiaomi, Vivo, Oppo, Apple, OnePlus, etc. It has its subsidiary, Big C Mobiles TN Private Limited, which has 25 stores as on March 31, 2024, in Tamil Nadu.

Key financial indicators (audited)

Consolidated	FY2023	FY2024*
Operating income	953.2	1,097.6
PAT	0.1	-3.2
OPBITDA/OI	1.3%	1.5%
PAT/OI	0.0%	-0.3%
Total outside liabilities/Tangible net worth (times)	4.4	5.1
Total debt/OPBITDA (times)	5.1	4.3
Interest coverage (times)	2.4	2.3

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBITDA: Operating profit before interest, taxes, depreciation and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years		
	Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
			Nov 7, 2024	Sep 18, 2023	Jun 24, 2022	Jul 12, 2021
Fund-based – Cash credit	Long term	37.00	[ICRA]BBB- (Negative)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB (Negative)
Non-fund Based	Short term	5.00	[ICRA]A3	[ICRA]A3	[ICRA]A3	[ICRA]A3
Unallocated Limits	Long term and short term	-	-	[ICRA]BBB- (Stable)/ [ICRA]A3	[ICRA]BBB- (Stable)/ [ICRA]A3	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Cash credit	Simple
Short-term – Non-fund based – Others	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or

complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based – Cash credit	NA	NA	NA	37.00	[ICRA]BBB- (Negative)
NA	Non-fund based	NA	NA	NA	5.00	[ICRA]A3

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	BMPL Ownership	Consolidation Approach
Big C Mobiles TN Pvt. Ltd.	85%	Full Consolidation

Source: Company, ICRA Research

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