

**FOR IMMEDIATE RELEASE**

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ICRA upgrades the long term rating from LA+ (Stable) to LAA- (Stable) to the enhanced bank facilities of Redington (India) Limited; reaffirms short term ratings

ICRA has upgraded the long term rating from LA+ (pronounced L A plus) to LAA- (pronounced L double A minus)† rating to the Rs. 594.0 Crore¹ cash credit facilities of Redington (India) Limited [REDIL]. The outlook on the rating is Stable. ICRA has also re-affirmed the short term rating of A1+ (pronounced A one plus)† for the Rs. 646.0 Crore short term fund based facilities (enhanced from Rs. 384.5 Crore), Rs. 60.0 crore short term non-fund based facilities and Rs. 600.0 crore short term debt programme of the company.

The upward revision in long term ratings reflects the improvement in financial profile of the company, backed by revival in the Information Technology (IT) hardware industry, REDIL's leading market position in distribution of IT products in India, Middle East and Africa, the proven ability of the management to scale up and create strong relationships with vendors and dealers and its diversified geographical presence. ICRA notes that the recent stake purchase (49.4%) in Turkey-based IT products distributor enables REDIL to expand its footprints further with relatively lower impact on its financial profile. The ratings continue to derive comfort from the scalability, proven ability in creating strong relationships with vendors and dealers and its diversified geographical presence supported by strong distribution channel. The company's presence in the non-IT and service segments, where the operating margins are better than in IT segment, lends further stability to the earnings profile. ICRA notes that Investcorp, a Gulf-based private equity fund, has invested \$65 million in REDIL's step down subsidiary (with a commitment to fund additional \$33 million) to support the company's plans towards in-organic growth. Inherent to the nature of IT distribution business, REDIL's operating margins are thin with increased requirements on working capital. ICRA however derives comfort from REDIL management's proven control over the quality of its receivables which minimise risks of write-offs.

Recent Results

For the first quarter ending June 2010, operating income of the company (at consolidated level) stood at Rs. 3,528.7 Crore with a profit after taxes (after Minority Interest) of Rs. 47.8 Crore, indicating an increase of 20.7% in operating income and 27.9% in profit after taxes (after Minority Interest) over the comparable period of last fiscal.

Company profile

Redington (India) Limited (REDIL) commenced the IT hardware distribution operations in 1993, service operations for hardware in the next year and has added at a rapid pace since then to its list of vendors. In 2005, the company acquired Redington Gulf FZE. REDIL acquired 100% stake in Easyaccess Financial Services Private Limited (EFSPL), an NBFC in January 2008 and started operations in February 2008. The company intends to use the NBFC for factoring its own receivables and channel financing to its dealers. While arriving at the ratings, ICRA has not considered the consolidated profile of Redington (India) Limited, excluding Easyaccess.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

¹100 lakh = 1 crore = 10 million

† For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.