



## Redington (India) Limited

Instruments	Amount (Rs. Crores <sup>*</sup> )	Rating Action
Commercial Paper / STD Programme	1,300.0 (enhanced from 1,000.0)	[ICRA]A1+ / re-affirmed

ICRA has re-affirmed the short-term rating of [ICRA]A1+ (pronounced ICRA A one plus) outstanding on Redington India Limited's ("REDIL" / "the Company") enhanced Commercial Paper / Short Term Debt programme of Rs.1,300.00 crore (enhanced from Rs.1,000.00 crore)<sup>†</sup>. ICRA also has a long term rating of [ICRA]AA- (pronounced ICRA double A minus) and a short rating of [ICRA]A1+ (pronounced ICRA A one plus) outstanding on the Rs. 1,750 crore bank lines of the company. The outlook on the long term rating is stable. While arriving at the ratings, ICRA has considered the consolidated profile of Redington (India) Limited given the strong operational and financial linkages between the entities.

The ratings continue to derive comfort from the Company's well entrenched position in the Indian and Middle Eastern IT / consumer products distribution market, REDIL's diversified revenue profile spread across several geographies, products and brands, and the management's expertise in the industry as proven by the strong track record over the years. In re-affirming the ratings, ICRA also factors in the healthy revenue and profit growth reported by REDIL during the current year (H1, FY2016), driven by revival in the IT product segment in the domestic market and new product / brand acquisitions in the overseas markets. REDIL's financial profile continues to be healthy, characterised by stable accruals, and comfortable debt metrics.

Recently, REDIL's overall working capital requirements have increased following sharp reduction in payables (as on 30.09.2015). The Company has also increasingly relied on financing its operations through the commercial paper markets where, despite attractive rates, refinancing risks are higher. In this context, REDIL's adequate liquidity as characterised by large cash balances (over Rs. 500 crores at the consolidated level) and significant buffer in the form of undrawn sanctioned lines of credit provide comfort to the ratings.

The ratings, however, remain constrained by the thin margins and higher working capital requirements inherent to the distribution business which exposes earnings to downside risk in the event of elongation of the working capital cycle leading to incremental reliance on debt financing. While rising competitive intensity (accentuated by entry of backward integrated online retailers and partner diversification plans of key vendors), high dependence on vendor product success and sluggishness in certain overseas markets pose demand side challenges, the company's strong market and brand position, coupled with its ability to re-align its product portfolio with leading brands / channel participants in line with market trends is expected to support the revenue and earnings growth over the medium to long term.

In re-affirming the ratings, ICRA takes note of REDIL's recent acquisition of 70% stake in Linkplus Bilgisayar Sistemleri Sanayi ve Ticaret A.S, Turkey for USD 5.75 Million, aimed at strengthening its presence in the cloud computing sector and also its relationship with a key global vendor. Ability of the company to derive synergies from the acquisition would be a key monitorable. ICRA also takes cognizance of the management's inclination towards utilising its existing cash balances for further acquisitions contingent upon availability of suitable target firms; however, in the absence of any immediate plans for the same, ICRA would re-assess the impact of any such decision on REDIL's profile on a case to case basis. For the near to medium term, ability of the Company to sustain its current growth momentum through revenue as well as geographic diversification, improve its debt metrics, increase liquidity buffer and diversify its funding profile, would remain key sensitivities to the rating.

<sup>\*</sup>100 lakh = 1 crore = 10 million

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications



### **Company Profile**

Redington (India) Limited (REDIL) is a leading distributor of IT hardware and consumer lifestyle products in India. REDIL commenced with IT hardware distribution operations in 1993, followed by service operations for hardware products in the next year and has since then added to its list of vendors at a rapid pace. Apart from India, REDIL on a consolidated basis, also has operations spanning across Africa, Middle East, South Asia and Turkey and has 54 entities in the group (including subsidiaries and entities where the Company exercises significant control). Globally, the Company operates through 80 sales offices, 110 warehouses, 109 own service centres and 310 partner centres.

On a consolidated basis, for the six months ended September 30, 2015, REDIL reported a net profit of Rs. 180.6 crore on an operating income of Rs. 15,950.0 crore as against a net profit of Rs. 175.5 crore on an operating income of Rs. 14,913.7 crore for the similar period ended September 30, 2014. During 2014-15 REDIL recorded a net profit of Rs. 410.4 crore on an operating of Rs. 31,554.9 crore as against a net profit of Rs. 357.9 crore on an operating income of Rs. 27,908.8 crore during 2013-14.

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