Redington India Limited

Instruments	Amount (Rs. Crores[1])	Rating Action
LT - Fund based	630.00 (revised from 705.00)	[ICRA]AA- (Stable) / re-affirmed
ST – Fund based	440.50 (revised from 370.50)	[ICRA]A1+ / re-affirmed
ST – Non Fund based	417.40 (revised from 357.00)	[ICRA]A1+ / re-affirmed
LT / ST – Unallocated	262.10 (revised from 317.50)	[ICRA]AA- (Stable) / [ICRA]A1+; re-affirmed
Commercial Paper / STD Programme	1,400.0	[ICRA]A1+ / re-affirmed

ICRA has re-affirmed the long-term rating of [ICRA]AA- (pronounced ICRA double A minus) outstanding on Redington India Limited's ("REDIL" / "the Company") Rs. 630.00 crore (revised from Rs. 705.00 crore) long term fund based limits[2]. The outlook on the long term rating is stable. ICRA has also re-affirmed the short-term rating of [ICRA]A1+ (pronounced ICRA A one plus) outstanding on the Company's Rs. 440.50 crore (revised from Rs. 370.50 crore) fund based limits and Rs. 417.40 crore (revised from Rs. 357.00 crore) non fund based limits. For the unallocated facilities totalling Rs. Rs. 262.10 crore (revised from 317.50 crore), a rating of [ICRA]AA- with stable outlook or [ICRA]A1+ shall apply contingent upon the tenor of the facility being availed. ICRA also has reaffirmed the short term rating of [ICRA]A1+ (pronounced ICRA A one plus) outstanding on the Rs. 1,400.00 crore Commercial paper programme of the company.

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 the company's stable financial performance during FY2016 and Q1 FY2017 marked by healthy revenue and profit growth driven by new contract wins in the Middle East market and continued focus on non-IT segment in the Indian geography. While REDIL's financial profile continues to be healthy, characterised by stable accruals, strong cash flow generation and comfortable debt metrics, profitability metrics have been impacted in the recent quarters with higher revenue share from the non-IT segment as well as sluggish pick up in the domestic higher margin IT business segment. In this context, REDIL's adequate liquidity as characterised by large cash balances (over Rs. 500 crores at the consolidated and ~ Rs. 50 crores at the standalone level as on June 30, 2016) and significant buffer in the form of undrawn sanctioned lines of credit from banks (utilisation of less than 20%) provide comfort to the ratings.

The ratings, however, remain constrained by the thin margins (operating margins of 2.2%-2.4%) 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 as well as domestic IT market 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 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 achieve strong

[1] 100 lakh = 1 crore = 10 million

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

growth through revenue as well as geographic diversification with focus on existing as well as new margin accretive business segments, improve its profitability and debt metrics would remain key monitorable.

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 53 entities in the group (including subsidiaries and entities where the company exercises significant control). Globally, the company operates through 79 sales offices, 119 warehouses, 76 own service centres and 303 partner centres.

On a consolidated basis, REDIL recorded a net profit of Rs. 447.7 crore on an operating of Rs. 35,429.7 crore during FY2016, as against a net profit of Rs. 410.4 crore on an operating income of Rs. 31,559.2 crore during FY2015. For the quarter ended June 30, 2016, REDIL recorded a net profit of Rs. 97.2 crore on an operating income of Rs. 9,633.3 crore, as against a net profit of Rs. 83.6 crore on an operating income of Rs. 7,569.8 crore during the similar period ended June 30, 2015.

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