



R P Infosystems Private Limited

ICRA has assigned an A1 (pronounced A one) to the Rs 0.4[†] billion (enhanced from Rs 0.2 billion) commercial paper programme of R P Infosystems Private Limited (RPIL)[‡]. ICRA has reaffirmed the LA- (pronounced L A minus) rating of the Rs 2.5 billion fund based and of the Rs 0.25 billion non fund based working and also the A1 rating of the Rs 0.75 billion non fund based working capital facilities of RPIL. The outlook on the long term rating is stable.

The ratings reflect the significant growth in turnover and profits of RPIL during FY10 (April 2009 to March 2010), thus strengthening its market position and resulting in a comfortable financial risk profile. The ratings also reflect RPIL's continuous improvement in profitability of operations, moderate capital structure and healthy debt coverage indicators. RPIL, within a few years of commencing operations has been able to garner a market share of around 6% in the domestic personal

[†] Total fund based borrowings under the CP programme and from banks should not exceed Rs 2.5 billion

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

computer (PC) industry. The ratings also factor in the existing rate contract with DGS&D (Director General of Supplies & Disposals) for the supply of desktops and other related hardware and software that resulted in significant increase in institutional sales during the past year, and the company's established distribution channel in the tier 2 / 3 cities, which gives it access to a fast growing retail market. On account of its existing relationship with Microsoft Corporation and Intel Corporation, RPIL benefits in terms of procurement of essential software and hardware at competitive rates, better product planning and joint promotional activities. In addition, the eligibility of RPIL's plant at Parwanoo (Himachal Pradesh) for fiscal benefits is expected to continue to support the profitability of operations going forward. The ratings, however, also take into consideration the intense competition from multinational and large Indian brands on one side and the assembled PC market on the other limiting the scope of margin expansion, the high working capital intensive nature of RPIL's operations, which is likely to continue to affect the cashflows of the company to an extent and the exposure to foreign currency fluctuations on account of import of components. While assigning the ratings, ICRA has taken into consideration the proposed

equity stake by RPIL in Ontrack Systems Ltd (OSL), which is likely to benefit RPIL going forward in terms of offering end to end technology solutions to its clients.

Company Profile

RPIL, the flagship company of the Kolkata based R P Group, was incorporated in 2005 to take over the manufacturing/assembling facilities of another group entity, R P Communications, a partnership firm involved in the assembly and trading of computer peripherals and accessories. The facilities were taken over by RPIL with effect from April 2006. RPIL's current manufacturing facilities include two assembling units located at Howrah (near Kolkata) and Parwanoo (in HP). The company is in the process setting up a new assembling unit in HP. The installed capacity, post commissioning of the new unit, will be around 70,000 units per month.

As per estimates, RPIL's net profit after tax (PAT) for FY10 stood at Rs 592.7 million on a net sales of Rs 8.81 billion as against a PAT of Rs 292.8 million on net sales of Rs 5.17 billion during FY09.

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