



## Redington (India) Limited

Instruments	Amount (Rs. Crores <sup>*</sup> )	Rating Action
LT - Fund based	705.00 (revised from 905.50)	[ICRA]AA- (Stable) / re-affirmed
ST – Fund based	370.50 (revised from 471.50)	[ICRA]A1+ / re-affirmed
ST – Non Fund based	357.00 (revised from 373.00)	[ICRA]A1+ / re-affirmed
LT / ST – Unallocated	317.50 (revised from nil)	[ICRA]AA- (Stable) / [ICRA]A1+; assigned

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. 705.00 crore (revised from Rs. 905.50 crore) long term fund based limits<sup>†</sup>. 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. 370.50 crore (revised from Rs. 471.50 crore) fund based limits and Rs. 357.00 crore (revised from Rs. 373.00 crore) non fund based limits. For the unallocated facilities totalling Rs. 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 a short term rating of [ICRA]A1+ (pronounced ICRA A one plus) outstanding on the Rs. 900.00 crore Commercial paper programme of the company.

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 FY2015, driven by growth in the non-IT product segment (mainly sale of *Apple* products) 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, comfortable debt metrics and adequate liquidity as characterised by large cash balances (over Rs. 500 crores) and significant buffer in the form of undrawn sanctioned lines of credit.

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), high dependence on vendor product success and ongoing weakness in IT product consumption (in Indian 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.

ICRA also takes cognizance of the management's inclination towards utilising its existing cash balances for 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 and improve its debt metrics further, 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 50 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, 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. 27,899.0 crore during 2013-14.

**June 2015**

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