

Intex Technologies (India) Limited

January 24, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	162.00 (enhanced from 35.00)	CARE A (Under credit watch with negative implication) [Single A]	Put under credit watch with negative implication
Short term Bank Facilities	411.00 (reduced from 601.00)	CARE A1 (Under credit watch with negative implication) [A one]	Put under credit watch with negative implication
Total Facilities	150.00 (Rs. One hundred fifty crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale

The ratings assigned to the bank facilities of Intex Technologies (India) Limited (ITIL) continue to take into account the consistent growth in total operating income and comfortable gearing levels of the company, steady growth in the other product segments and continuous strengthening of the “Intex” brand.

The ratings also continue to derive strength from the experienced promoters and management team, established market position in the computer peripherals segment, diversified product portfolio, widespread distribution network and well-defined foreign exchange risk mitigation policy.

However, the ratings are constrained by high level of competition in the IT hardware and mobile handset segment, volatility in profitability margins, dependency on imports and the associated regulatory risks.

Going forward, the ability of the company to improve its profitability, improving its market share in the Indian mobile-handset industry and successful completion and commencement of its new manufacturing facility shall be the key rating sensitivities.

The ratings have been placed on ‘Credit Watch’ on account of Delhi High Court issuing interim injunction against ITIL from selling ‘AQUA’ branded smartphones and accessories and the possible impact of the same on the credit risk profile of the company. CARE will continue to monitor the developments in this regard and will take a view on the ratings once the exact implications of the above on the credit risk profile of the company are clear.

Detailed description of the key rating drivers

ITIL was promoted by Mr. Narendra Bansal (Chairman and Managing Director) in 1996. Mr. Bansal is a first generation entrepreneur with wide experience of over 25 years in the IT industry. The management team of ITIL comprising of officials who are technically qualified and highly experienced in their respective domains and manages the day to day operations of the company. The financial risk profile of the company is characterized by consistent growth in total operating income, comfortable gearing levels and low operating cycle. ITIL’s total operating income has grown at a Compounded Annual Growth Rate (CAGR) of around 45% during FY14-16. Further, ITIL has a well-established position in the computer peripherals distribution business backed by the long-term association with suppliers, wide distribution network across the country and established brand name. ITIL has a network of 30 stock and sales offices spread throughout the major cities in the country. The sales are routed through a distribution network comprising of 1,600+ distributors and 80,000+ dealers spread across the country. ITIL has diversified portfolio of more than 250 products across different products verticals namely, Mobile handsets, Consumer Electronics and IT Hardware. Due to high dependence on imports for its raw material requirements, the company is vulnerable to foreign currency risk for its import payments.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

However, ITIL uses letter of credit from the banks for purchase of products from the vendors, which is backed by hedging policy for covering their foreign currency exposure.

ITIL's profitability margins have remained low which is mainly attributed to trading nature of business operations combined with high level competition in the mobile handsets and IT hardware trading industry with low entry barriers. The Indian mobile handset industry is marked by high level competition with the market being highly price sensitive and value driven. The industry is fragmented with both domestic and foreign players, which has led to stiff price competition. ITIL sources its raw material largely through imports from overseas markets of Hong-Kong, Taiwan and China. The company is reliant on third party suppliers of its products.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Criteria for placing rating on credit watch](#)

[Rating Methodology - Wholesale Trading](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

Incorporated in 1996, ITIL was promoted by Mr. Narendra Bansal (Chairman and Managing Director). The company is engaged in assembling, manufacturing and trading of mobile handsets, computer peripherals, multimedia speakers, personal computers and consumer electronics under the brand name of 'INTEX'.

ITIL primarily operates in three business segments namely mobile handset, Consumer Electronics (DVD player, TV, LCD etc.) and IT Hardware (UPS, Monitor, Keyboard, Mouse and other computer peripherals). The company sources its raw material largely through imports from China, Hong-Kong and Taiwan based suppliers backed by Letter of Credit. The finished goods which the company imports are manufactured overseas as per company's specifications and marketed under the brand "Intex" in India.

The company has manufacturing and assembling units in Jammu (Jammu & Kashmir) and Manpura (Himachal Pradesh). The company has also set up three assembling and manufacturing units in Noida (Uttar Pradesh) with cumulative production capacity of 38.40 million handsets per annum.

During FY16 (refers to the period April 01 to March 31), ITIL achieved a PAT of Rs.152.88 crore on a total operating income of Rs.6282.69 crore as against PAT of Rs.126.78 crore on a total operating income of Rs.3774.63 crore during FY15.

Further, For H1FY17 (Un-audited) period (refers to the period April 01 to June 30) ITIL achieved PAT of Rs.41.21 crore on a total operating income of 2639.66 crore.

Status of non-cooperation with previous CRA:

Not Applicable

Any other information:

Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact:

Name: Mr Gaurav Dixit

Tel: 011-45333235

Cell: +91 9717070079

Email: gaurav.dixit@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund Based - LT	-	-	-	162.00	CARE A (Under Credit watch with Negative Implications)
Non-Fund Based - ST-BG/LC	-	-	-	411.00	CARE A1 (Under Credit watch with Negative Implications)

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Type	Current Ratings		Chronology of Rating history			
			Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Term Loan-Long Term	LT	-	-	-	-	1)Withdrawn (09-Oct-14)	1)CARE BBB (16-Aug-13)
2.	Fund Based - LT	LT	162.00	CARE A (Under Credit watch with Negative Implications)	-	1)CARE A (13-Jan-16) 2)CARE A- (01-Jul-15)	1)CARE BBB+ (09-Oct-14)	1)CARE BBB (16-Aug-13)
3.	Non-Fund Based - ST-BG/LC	ST	411.00	CARE A1 (Under Credit watch with Negative Implications)	-	1)CARE A1 (13-Jan-16) 2)CARE A2+ (01-Jul-15)	1)CARE A2 (09-Oct-14)	1)CARE A3+ (16-Aug-13)

CONTACT

Head Office Mumbai

Mr. Amod Khanorkar

Mobile: + 91 98190 84000

E-mail: amod.khanorkar@careratings.com**Mr. Saikat Roy**

Mobile: + 91 98209 98779

E-mail: saikat.roy@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Mehul Pandya32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com

BENGALURU

Mr. Deepak PrajapatiUnit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: deepak.prajapati@careratings.com

CHANDIGARH

Mr. Sajan GoyalSCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com

CHENNAI

Mr. V Pradeep KumarUnit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com

COIMBATORE

Mr. V Pradeep KumarT-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com

HYDERABAD

Mr. Ramesh Bob401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com

JAIPUR

Mr. Nikhil Soni304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 - 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com

KOLKATA

Ms. Priti Agarwal3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com

NEW DELHI

Ms. Swati Agrawal13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com

PUNE

Mr. Pratim Banerjee9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691