

## Micromax Informatics Limited

January 24, 2017

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term Bank Facilities	57.00 (enhanced from 23.00)	<b>CARE A; Stable</b> (Single A; Outlook: Stable)	<b>Revised from CARE A+ (Single A Plus)</b>
Short term Bank Facilities	916.00 (reduced from 1827.00)	<b>CARE A1</b> (A one)	<b>Reaffirmed</b>
<b>Total Facilities</b>	<b>973.00</b> <b>(Rs. Nine hundred and seventy three crore only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale

The revision in the long term rating assigned to the bank facilities of Micromax Informatics Limited (MMIL) takes into account the moderation in the financial risk profile of the company during FY16 (refers to period from April 01 to March 31) and H1FY17 (refers to period from April 01 to Sep 30) as reflected in falling profitability and declining scale of operations. The ratings, however continue to derive strength from the experienced promoters and management team, comfortable liquidity profile, established brand name and wide distributor-dealer network. These rating strengths are, however, partially offset by reliance on third-party suppliers for products/services, exposure to foreign exchange fluctuation risks and stiff competition in the mobile handset industry.

Going forward, profitable scale-up of operations with efficient working capital management and managing changing consumer preferences and technological risks shall be the key rating sensitivities.

### Detailed description of the key rating drivers

The moderation in the total operating income of the company is on account of stiff competition from the Chinese players who are offering attractive discounts and benefits to traders and customers thus increasing their market share in the mobile handset segment, whereas, profitability margin got moderated due to increase in operational expenses such as employee expenses, warranty expenses and non-operating expenses.

The promoters of MMIL have background in engineering with an average experience of more than 10 years each in the information technology and telecommunications industry. The board of MMIL comprises of highly experienced and qualified directors. The company has a well-established distribution and support-service network, MMIL has three tier distribution network structure consisting of 60+ state level distributors, 800+ local distributors and 150,000+ retailers covering all the states of the country, including Tier-2 and Tier-3 towns.

MMIL sources its products and raw material largely through imports from overseas suppliers based out of Hong-Kong, Taiwan and China, thereby exposing MMIL to ensuing risk emanating from the dependence on third-party suppliers. However, since FY13 MMIL was procuring a part of its products from one of its group associate. MMIL procures about 40%-45% of the total product requirement including mobile handsets, data cards, LED TVs etc. from its group associate. Further, 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.

**Analytical approach:** Standalone

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

**Applicable Criteria**[Criteria on assigning Outlook to Credit Ratings](#)[CARE's Policy on Default Recognition](#)[Criteria for Short Term Instruments](#)[Rating Methodology - Wholesale Trading](#)[Financial ratios – Non-Financial Sector](#)**About the Company**

MMIL was Incorporated in March 2000, was promoted by first generation entrepreneurs, namely Mr. Rajesh Agarwal, Mr. Rahul Sharma, Mr. Sumeet Kumar and Mr. Vikas Jain, having background in engineering, IT and telecommunications industry. The company was initially in business of manufacturing of fixed wireless terminals and phones. From January-2008, the company began the business of trading and marketing of mobile handsets, tablets, accessories, data cards etc. under the brand name of 'Micromax'. Later MMIL also added LED TVs, computer monitors etc. in its product portfolio. The company has operations spread across India and global presence in Russia and SAARC markets (Bangladesh, Sri Lanka and Nepal). MMIL also sells mobile handsets and fitness accessories under the brand name of 'YU' through its subsidiary YU Televentures Private Limited solely through e-commerce channel.

The company has pan-India presence through its distribution network of 26 warehouses, 60+ state level distributors, 800+ local distributors and 150,000+ retailers and 400+ third party service touch points.

During FY16 (refers to the period April 01 to March 31), MMIL achieved a PAT of Rs.133.96 crore on a total operating income of Rs.9878.33 crore as against PAT of Rs.363.87 crore on a total operating income of Rs.10528.45 crore during FY15.

Further, For H1FY17 (Un-audited) period (refers to the period April 01 to June 30) MMIL achieved PAT of Rs.28.73 crore on a total operating income of Rs.4038.05 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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**About CARE Ratings:**

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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
Non Fund Based-Short Term	-	-	-	916.00	CARE A1
Fund Based - LT-Cash Credit	-	-	-	57.00	CARE A; Stable

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Chronology of Rating history			
		Type	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.	Non Fund Based-Short Term	ST	916.00	CARE A1	-	1)CARE A1 (26-Oct-15) 2)CARE A1 (15-Jun-15)	1)CARE A1 (12-Dec-14)	1)CARE A1 (09-Jan-14)
2.	Fund Based - LT-Cash Credit	LT	57.00	CARE A; Stable	-	1)CARE A+ (26-Oct-15) 2)CARE A+ (15-Jun-15)	1)CARE A+ (12-Dec-14)	1)CARE A- (09-Jan-14)

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