

Optimus Infracom Limited

April 13, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	231.50	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Bank Facilities	231.50 (Rs. Two Hundred Thirty-One Crore and Fifty Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. had, vide its press release dated November 27, 2019, placed the rating(s) of Optimus Infracom Limited (OIL) under the 'Issuer non-cooperating' category as OIL had failed to provide information for monitoring of the rating. OIL continues to be non-cooperative despite repeated request for submission of information through e-mails, phone calls and an email dated April 08, 2022, April 06, 2022 and December 11, 2021. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Detailed description of the key rating drivers

At the time of last rating on November 27, 2019 the following were the rating strengths and weaknesses (Updated for the FY21 financials available from stock exchange.)

Key Rating Weaknesses

Significant deterioration in financial of flagship company-OIL

OIL being a flagship company of the group and a major contributor to the group's revenue as well as profitability has continuously witnessed a decline on the account of decline in sales of HTC and Samsung and delay in launch of Blackberry's models. The total income of the Optimus Group has witnessed decline during past three years. In FY21, total operating income at standalone level declined by 26.91% from FY20. In order to support the operations, the promoters have infused funds in the past of around Rs.25 crore funds in the group as on March 25, 2019. The promoters have further infused Rs.10 crore during FY20.

OIL is in the process to monetize its commercial asset which is approved by Board as per meeting dated December 23, 2020 and is expected to complete by end of January 2021. The lease revenue from the asset contributed 10% of FY20 revenue and 48% of net worth of company as on March 31, 2020. The total sales consideration will be of Rs. 285 crore. The net proceeds from sale will be utilized for expansion of mobile manufacturing business and to repay the existing loans and reduce interest burden and/or for the general business purpose. Thus help OIL increase the scale of business and improve its financial risk profile.

Lower than envisaged ramp up of Blackberry business

The group had envisaged significant upside from the Blackberry business segment both in terms of income and profitability but as against the plan, the company derived revenue of Rs.352 crore from Blackberry sales during FY18 and Rs.192 crore during 9MFY19. Furthermore, due to delayed launch of couple of its handsets, there was a corresponding mismatch in the sales and associated costs leading to reduction in profitability. OIL has signed an exclusive agreement for designing, manufacturing and distribution of Blackberry Handsets in India, Sri Lanka, Nepal and Bangladesh which is expected to provide a revenue upside to the company in next couple of years. Going forward, successful ramp up of Blackberry and other handset sales would be crucial for the company.

Renewal of agreement with mobile brands would remain a concern

Optimus group has been engaged in the distribution of Samsung handsets since January 2007. The distributorship is guided by an agreement between the two parties. On the expiry of the term a fresh agreement shall be signed between the two parties based on mutual consent. Though, over the years the dependence of the group on Samsung as a source of revenue has come down and therefore the business continuation risk is mitigated to a large extent. The renewal of the agreement with Samsung is due in FY20. Similarly, the agreement with Blackberry is a 10 year agreement (five years extendable to another five years) and its successful renewal would be crucial in future.

Exposure to intense competition in mobile phone industry

The Optimus Group has exposed to the intense competition in the mobile handset industry. As the group has presence in manufacturing and distribution of smart and feature phones its fortunes are linked to the brands it caters. The company is currently dealing in brands such as Samsung, HTC and Zen.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key Rating Strengths

Experienced promoter and Professional Management team

Mr. Ashok Gupta, the chairman of the Optiemus has more than two decades of experience in the field of trading and mobile handsets distribution. Under his leadership the company has been engaged in the distribution of Samsung mobile phones since January 2007. Prior to this, the company, since October 2001, was engaged in the distribution of Nokia handsets. Mr. Gupta has also served as the secretary of the 'Indian Cellular Association' (ICA), an apex body representing the mobile brands in India

Established market position and synergy from operations

The Optiemus Group over the year has established itself as a leading player in the domestic mobile handset distribution industry. The group through its various group companies has presence in the complete value chain starting from assembling, distribution and finally retail sales of mobile phones. The group is able to enjoy operational synergies as it is present across the value chain.

Wide distribution network

The Optiemus group has been engaged in the business of mobile distribution for last two decades and thus has built a wide pan-India distribution network. The Group started distribution of Nokia handsets in the Delhi General Trade market. Gradually, they moved towards the organized trade market with Samsung. The group operates with a vast spread of 27 Regional branches, presence with close to 650 Distributors (Micro and Macro Distributors), more than 10,000 retail partners (in the general trade segment) and more than 700 service centres.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

About the Company

OIL was originally incorporated in the year 1993 as Akanksha Finvest Limited (AFL) as a Non - Banking Financial Company (NBFC). The name of the merged entity was subsequently changed to the current one: Optiemus Infracom Limited in June 2011. OIL is the flagship company of the Optiemus Group and has been engaged in distribution of mobile handsets of reputed brands like Nokia and Samsung for last 25 years. OIL had started operations with distribution of Nokia handsets from 1995 till 2006. Thereafter, in 2006, the Company left Nokia to take the distribution of Samsung. OIL has also received Blackberry Brand Rights for four countries.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (Prov.)
Total operating income	308.42	225.40	285.61
PBILDT	-64.28	-48.89	18.61
PAT	-74.42	-4.94	11.44
Overall gearing (times)	0.86	0.09	NA
Interest coverage (times)	-11.62	-8.82	6.51

A: Audited; Prov: Provisional; NA: Not available

Status of non-cooperation with previous CRA: NA

Any other information: NA

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	September 2028	195.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	-	36.50	CARE BB-; Stable; ISSUER NOT COOPERATING*

Annexure-2: Rating History of last three years

Sr. No	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	195.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (25-Jan-21)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (27-Nov-19) 2)CARE BB+; Stable (26-Aug-19) 3)CARE BBB-; Negative (03-Apr-19)
2	Fund-based - LT-Cash Credit	LT	36.50	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (25-Jan-21)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (27-Nov-19) 2)CARE BB+; Stable (26-Aug-19) 3)CARE BBB-; Negative (03-Apr-19)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities – NA**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this CompanyTo view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact

Name: Mradul Mishra
Contact no.: +91-22-6754 3573
Email ID: mradul.mishra@careedge.in

Analyst Contact

Name: Agnimitra Kar
Contact no.: +91 9916158396
Email ID: agnimitra.kar@careedge.in

Relationship Contact

Name: Swati Agrawal
Contact no.: +91-11-4533 3200
Email ID: swati.agrawal@careedge.in

About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a 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. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careedge.in**