

Best IT World Private Limited

August 08, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating	Rating Action
Long Term Bank Facilities	80.00	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	145.00	CARE A3 (A Three)	Reaffirmed
Total facilities	225.00 (Rs. Two Hundred Twenty Five Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating continues to derive strength from the company's experienced promoters in the field of IT (Information Technology) peripherals and accessories, diversified revenue profile with robust retailer-distributor network, established brand image of "I-ball" and continued financial support provided by the promoters. The rating also considers infusion of fresh equity to the tune of Rs.52.67 crore thereby improving the capital structure of the company.

However, the above strengths are partially offset by the low profitability margins on account of intense competition from Chinese and domestic players, foreign exchange fluctuation risk along with working capital intensive nature of business.

The ability of the company to sustain the competitive landscape in IT peripherals segment while improving the profitability leading to better cash accruals and improved liquidity profile considering the volatility in foreign exchange rate remains the key rating sensitivity.

Detailed description of the key rating drivers

Key Rating Strengths

Professionally qualified and experienced promoters

Best IT is promoted by Mr. Sandeep Parasrampur, along with Mr. Anil Parasrampur, Mr. Rakesh Shah, Mr. Vijay Dalmia and Mr. Sunil Kedia. The company draws benefits from the promoters' experience in the computer hardware business since 1996 which can be substantiated from the fact of establishment and success of their own brand 'iBall' since 2001.

Robust retail distribution network

Best IT is well penetrated with Pan India presence with 2800+ distributors, 250 SKU's (Stock Keeping Units), and access to over 30,000 retail shops across the country. It has consolidated its branch network by reducing from 28 branches to currently 19 branches to avoid multiplicity in certain regions and to optimize costs. The company has around 100 suppliers with 2-3 suppliers in each product category thus eliminating supplier concentration risk and receives repeat orders on account of relationships held with the suppliers. iBall products are also available with the major retail chains such as E-zone, Croma, Reliance Retail, etc.

Improvement in financial performance post mobile business shutdown

Post shutdown of mobile handset business, operating performance of the company in FY17 improved due to focus on higher margin non-mobile segment and cost optimization with operating profit of Rs.25 crore and PAT of Rs.2 crore as against losses in FY16. During FY18, the company registered operating profit (PBILDT) of Rs.23.35 crore and PAT of Rs.1.24 crore. The marginal decline was primarily due to the subdued performance in Q4FY18 due to foreign exchange fluctuations resulting in forex losses. However due to gradual clearance of mobile inventory and decline in Non-mobile segment revenue, FY18 revenue declined by 30% over the previous year.

Continued financial support on back of significant equity infusion

In order to fund its losses in FY16, promoters of BIWPL had infused Rs.6 cr as unsecured loan in FY17 and further Rs.15.37 crore worth equity in July FY17. During FY18, Investors infused funds of Rs.52.67 crore by way of fresh issue of equity shares and obtained around 30% of equity stake in BIWPL. The infused funds have been utilized partly for repayment of debt and remaining for working capital requirements.

Key Rating Weaknesses

Working capital intensive nature of business

IT peripheral business is highly working capital intensive with high inventory holding period. The company provides credit of around one month to its channel partners. However the average utilization of fund based limits for the past twelve months ending June '18 is at around 86% and provides some liquidity backup. The capital structure of the company has improved as on March 31st, 2018 backed by equity infusion.

Low profitability margins

The company operates on low profitability margins mainly on account of highly competitive nature of the IT hardware/computer peripheral distribution business. The PBILDT margins were in the range of 2-3% in the past which was also restricted due to the loss making mobile business. In FY18 operating margins improved marginally on account of better product mix and cost reduction primarily due to reduced warranty expenses and lower royalties paid compared to the previous year.

Susceptibility of adverse foreign exchange fluctuations

Best IT imports around 98% of products from its overseas vendors in China and Hong Kong, while it markets these products in India. The company uses simple hedging of short tenure generally to the extent of 35-50% of its exposure through forward cover and is thus exposed to volatility in forex rates for the remaining. The company recorded a forex loss of Rs.0.48 cr in FY18 as against gain of Rs.2.68 cr in FY17.

Highly competitive industry

The trading and distribution business of computers and peripherals is highly fragmented with presence of a large number of small players operating regionally and locally. Best IT faces competition from various established domestic and global brands in both its computer peripherals as well as from unbranded imports from China, Taiwan and Hong Kong. Low entry barriers pave the way for large number of unorganized players, which leads to stiff price competition putting pressure on margins.

Analytical approach:

Standalone

Applicable Criteria

[Financial ratios- Wholesale trading](#)

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

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

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

[Criteria for Short Term Instruments](#)

About the Company

Promoted by Mr. Sandeep Parasrampur in 1996, Best IT World (India) Private Limited (Best IT) is engaged in the distribution and marketing of computer hardware and peripherals and tablets. The company started marketing its products under the brand 'iBall' from 2001 and continued its dominance in the "Plug and Play Device" segment which constitutes of desk set (keyboard and mouse), speakers, headsets, webcam, microphones, Bluetooth wireless products, MP3 players, pen drives, pen tablets, USB products and various assembled products such as CPU, monitors, laptops; and mobile handsets as well as tablets. During FY11, the company entered into the mobile handset segment and subsequently diversified into the tablet segment during FY12. Later, In August 2016, the company announced its exit from mobile business due to competitive challenges faced by it which resulted in losses in this segment. Presently, the company has 19 branches and warehouses spread across the country to facilitate distribution of its products. It has about 2,800 distributors and access to 30,000 retail shops.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	896.69	634.17
PBILDT	25.44	23.35
PAT	2.13	1.24
Overall gearing (times)	3.00	0.92
Interest coverage (times)	1.32	1.29

A: Audited

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.

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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
Fund-based - LT-Cash Credit	-	-	-	80.00	CARE BBB-;Stable
Non-fund-based - ST-Letter of credit	-	-	-	145.00	CARE A3

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	80.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (09-Feb-18)	1)CARE BB+; Stable (01-Mar-17)	1)CARE BBB- (20-Jan-16)
2.	Non-fund-based - ST-Letter of credit	ST	145.00	CARE A3	-	1)CARE A3 (09-Feb-18)	1)CARE A4+ (01-Mar-17)	1)CARE A3 (20-Jan-16)

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