

Optiemus Infracom Limited (Revised)

February 9, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term bank facilities	231.50	CARE BBB; Stable (Triple B; Outlook: Stable)	Assigned
Total Facilities	231.50 (Rs. Two hundred thirty one crore and fifty lacs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has taken a view on the combined financial profile of the Optiemus Group of companies which include: Optiemus Infracom Limited (OIL), Optiemus Electronics Limited (OEL), MPS Telecom Retail Private Limited (MTRPL), MPS Telecom Private Limited (MTPL), Teleecare Network India Private Limited (TNIPL), GDN Enterprises Private Limited (GDN) and International Value Retail Private Limited (IVR). All these companies are in related businesses, and have strong business linkages and common ownership and management.

The rating assigned to the long term bank facilities of Optiemus Infracom Limited derives strength from experienced promoter and professional management team, established market position with operational synergies on account of presence in complete value chain of mobile handsets, wide distribution network and moderate financial risk profile marked by moderate capital structure and adequate liquidity. The rating favorably considers the award of Blackberry License to OIL, which is expected to be a growth driver for the company going forward.

These strengths, however, are partially offset by exposure to intense competition, risk associated with renewal of long-term contracts and losses in retail business in the past.

Going forward, acceptability of the Blackberry brand and achievability of envisaged volumes, improvement in profitability while maintaining the capital structure and turn-around in the retail business would be the key rating sensitivities.

Detailed description of the key rating drivers**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.

Award of Blackberry license is expected to be a key growth driver

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 be a revenue growth driver in the next couple of years. Further, due to long term nature of the contract (10 year agreement: five years extendable to another five years) there is a considerable revenue visibility on account of this arrangement.

Under the terms of the agreement, BlackBerry has provided licence of its security software and services suite, as well as related brand assets to Optiemus Infracom Ltd. OIL will design, manufacture, sell, promote and provide customer support for BlackBerry-branded mobile devices that offer the full BlackBerry experience, including the BlackBerry for Android secure software.

Moderate financial risk profile

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

The financial profile of the Optiemus Group remained moderate marked by moderate capital structure and adequate liquidity. The overall gearing of the Optiemus Group stood at 1.36x as on March 31, 2017 (PY: 1.23x) and has remained healthy during the past three years. The group had free cash balance of Rs.30.49 crore and unencumbered fixed deposits of Rs.26.02 crore as on December 31, 2017; thereby indicating adequate liquidity cushions. The free cash & bank balance stood Rs.63.3 crore as on March 31, 2017.

The total income of the Optiemus Group has witnessed decline during past three years. The decline in the total income of the group was primarily due to fall in the revenue from its distribution business segment which included OIL (Samsung distribution) and MTPL (HTC distribution). The PBILDT margin witnessed marginal improvement during FY17 and remained at 3.31% during FY17 as against 3.02% during FY16. The PBILDT margin in the distribution business segment has remained around 4-5% whereas for the manufacturing business segment has remained below in the range of 1.5-2.5% during the recent past.

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. Later, the company further diversified their distribution reach with HTC in the general trade market.

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. Going forward, OIL plans to leverage its existing distribution network to market and distribute Blackberry devices along with in-house brands such as Zen and Kult.

Key Rating Weakness

Renewal of agreement with mobile brands would remain a concern

Optiemus 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.

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 Optiemus 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. Going forward, with the license of Blackberry in place, the group will also be involved in designing, manufacturing and distribution of Blackberry phones in India, Sri Lanka, Nepal and Bangladesh.

Analytical approach: Combined financials of the Optiemus Group of companies which include: Optiemus Infracom Limited, Optiemus Electronics Limited, MPS Telecom Retail Private Limited, MPS Telecom Private Limited, Telecare Network India Private Limited, GDN Enterprises Private Limited and International Value Retail Private Limited. All these companies are in related businesses, and have strong business linkages and common ownership and management.

Applicable Criteria

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

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

[CARE's methodology for Manufacturing Companies](#)

[CARE's methodology for financial ratios \(Non-Financial Sector\)](#)

About the Company

Optiemus Infracom Limited (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 recently taken Blackberry Brand Rights for four countries.

Brief Financials (Rs. crore) - Standalone	FY16 (A)	FY17 (A)
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Total operating income	1918	1080
PBILDT	93	64
PAT	18	10
Overall gearing (times)	0.96	0.95
Interest coverage (times)	2.17	1.52

A: Audited

Status of non-cooperation with previous CRA: OIL has not cooperated with CRISIL, which classified the company as issuer not cooperative through a release dated January 12, 2018. The reason provided by CRISIL is non-furnishing of information for monitoring of ratings.

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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About CARE Ratings:

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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-Term Loan	-	-	September, 2028	202.10	CARE BBB; Stable
Fund-based - LT-Cash Credit	-	-	-	29.40	CARE BBB; Stable

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	85.00	Suspended	-	-	-	1)Suspended (29-Jan-15)
2.	Non-fund-based-Short Term	ST	35.00	Suspended	-	-	-	1)Suspended (29-Jan-15)
3.	Fund-based - LT-Term Loan	LT	150.00	Suspended	-	-	-	1)Suspended (29-Jan-15)
4.	Fund-based - ST-Bills discounting/ Bills purchasing	ST	155.00	Suspended	-	-	-	1)Suspended (29-Jan-15)
5.	Fund-based - LT-Term Loan	LT	202.10	CARE BBB; Stable	-	-	-	-
6.	Fund-based - LT-Cash Credit	LT	29.40	CARE BBB; Stable	-	-	-	-

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