Optiemus Infracom Limited

November 27, 2019

Ratings

Facilities	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)	**Issuer Not Cooperating; Revised from CARE BB+; Stableon the basis of best available information**
Total facilities	**231.50 (Rupees Two Hundred Thirty One Crore and Fifty Lakhs only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Optiemus Infracom Limited to monitor the rating(s) vide e-mail communications/letters dated August 13, 2019, November 07, 2019, November 19, 2019 and November 21, 2019 and numerous phone calls. However, despite our repeated requests, the Optiemus Infracom Limited has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Optiemus Infracom Limited's bank facilities and will now be denoted as **CARE BB-; Stable; ISSUER NOT COOPERATING***.

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

The ratings have been revised on account of non-cooperation by the issuer and deterioration of financials for H1FY20.

Detailed description of the key rating drivers

At the time of last rating on August 26, 2019 the following were the rating weaknesses and strengths:

Key Rating Weakness

Significant deterioration in Q1FY20 financial of flagship company - OIL

The overall gearing of OIL stood at 0.75x as on March 31, 2019 (PY: 0.77x). The total income of the Optiemus Group has witnessed decline during past three years. OIL being a flagship company of the group and a major contributor to the group's revenue as well as profitability and 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 decline in the revenue for the company is 30.02% in FY19.The Company reported a PBILDT loss of Rs. 5.99 crore in Q1FY20 as against profit of Rs. 7.32 crore in Q4FY19. The Company reported a net loss of Rs. 9.35 crore in Q1FY20 as against profit of Rs. 7.32 crore in Q4FY19.

During 9MFY19, the group has reported total income of Rs.1229 crore and PBILDT of Rs.29.55 crore (PBILDT margin of 2.40%), thereby indicating further decline in the scale of operations for the group. The lower ramp up of Blackberry sales has impacted OIL sales. The PBILDT margin has declined from 4.32% during FY18 to 2.40% during 9MFY19 due to delayed launch of Blackberry phones which led to lower revenue as against higher promotional advertisement. The other group entities also witnessed pressure on their profitability due to decline in scale of operations leading to non-absorption of fixed cost. In order to support the operations, the promoters have infused 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 monetise its commercial asset which is expected to improve its overall gearing as the company plans to reduce the debt with sale proceeds. The same is expected to be concluded by Q2-Q3FY20.

Lower than envisaged ramp up of Blackberry business during 9MFY19

The group had envisaged significant upside from the Blackberry business segment both in terms of income and profitability. The company had factored in around Rs.400 crore of income from this segment during FY18 going to Rs.1000 crore by FY20. As against the plan, the company derived revenue of Rs.352 crore from Blackberry sales during FY18. The income from Blackberry segment has reduced further to 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. Though, the ramp up

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

from Blackberry sales has not remained the way it was envisaged earlier. Going forward, successful ramp up of Blackberry sales would be crucial for the company and remains to be seen.

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. 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 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.

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.
Liquidity: The liquidity profile remained moderate marked by working capital utilisation of around 85% during last 12 months ending July, 2019. Cash balance as on March 31, 2019 stood at Rs.16.54 Crore (OIL Standalone)

Analytical approach: Standalone. Previously, CARE had taken a combined approach based 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), Teleecare Network India Private Limited (TNIPL), GDN Enterprises Private Limited (GDN) and International Value Retail Private Limited (IVR). The rating approach has been changed from combined to standalone as one of the entities Optiemus Infracom Limited (OIL) is listed while the other entities are not listed.

Applicable Criteria
Policy in respect of Non-cooperation by issuer
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 also received Blackberry Brand Rights for four countries.

Brief Financials (Rs. crore) – Standalone	FY18 (A)	FY19 (A)
Total operating income	622.69	435.71
PBILDT	79.79	47.70
PAT	24.71	2.20
Overall gearing (times)	0.77	0.75
Interest coverage (times)	6.93	15.39

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 April 13, 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

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	195.00	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	36.50	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable on the basis of best available information

**Issuer did not cooperate; based on best available information*

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	195.00	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable on the basis of best available information	1)CARE BB+; Stable (26-Aug-19) 2)CARE BBB-; Negative (03-Apr-19)	-	1)CARE BBB; Stable (09-Feb-18)	-
2.	Fund-based - LT-Cash Credit	LT	36.50	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable on the basis of best available information	1)CARE BB+; Stable (26-Aug-19) 2)CARE BBB-; Negative (03-Apr-19)	-	1)CARE BBB; Stable (09-Feb-18)	-

**Issuer did not cooperate; based on best available information*

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.*

Contact Us

Analyst Contact:
Name: Nitesh Ranjan
Tel: 011-45333239
Mobile: 9654107900
Email: nitesh.ranjan@careratings.com

Media Contact:
Name: Mradul Mishra
Contact no.: +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

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

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