



Press Release

Compuage Infocom Limited

March 31, 2022

Ratings

Facility*	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	383.00	IVR A-/ Credit Watch with Developing Implication (IVR A Minus under credit watch with developing implication)	Revised	Simple
Proposed Long term Bank Facilities	67.00	IVR A-/ Credit Watch with Developing Implication (IVR A Minus under credit watch with developing implication)	Revised	Simple
Long term/ Short term Bank Facilities	478.00	IVR A-/ Credit Watch with Developing Implication; IVR A2+/ Credit Watch with Developing Implication (IVR A Minus under credit watch with developing implication; IVR A Two Plus under Credit Watch with Developing Implication)	Revised	Simple
Proposed Long term/ Short term Bank Facilities	32.00	IVR A-/ Credit Watch with Developing Implication; IVR A2+/ Credit Watch with Developing Implication (IVR A Minus under credit watch with developing implication; IVR A Two Plus under Credit Watch with Developing Implication)	Revised	Simple
Total	960.00 (Nine Hundred and Sixty crore)			

**Details of Facilities are in Annexure 1*

Detailed Rationale

The revision in rating of the bank facilities of Compuage Infocom Limited (CIL) factors board approval of rights issue of Rs.50 crore, expected to be concluded in 1QFY23, and the consequent improvement in liquidity and capital structure. Infomerics will continue to monitor the developments in this regard and will resolve the watch when the rights issue is concluded.



Press Release

AFMPL's ratings continue to factor long operational track record and experienced management, strong product mix and association with global brands, impact of coronavirus and industry prospects and continue to remain constrained by thin operating margins due to trading nature of business and highly competitive market conditions, inherent business risk & financial leverage and moderate debt coverage parameters.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in profitability, scale of operations and decline in leverage.

Downward Factors

- Any decline in profitability and/or increase in leverage impacting the cash accruals and debt protection metrics.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long Operational Track Record and Experienced Management

CIL being in business for more than three decades, has established a strong position in the market. It has built a wide distribution network with 46 sales offices, 69 service centres, 25 warehouses and 12000 online & offline channel partners. Mr. Atul Mehta, CEO & Managing Director, have more than 3 decades of experience in the IT distribution industry and is being supported by a team of well qualified and experienced industry professionals.

Strong Product Mix and Association with Global Brands

The company deals in wide range of products belonging to different service verticals like Mobility, IT consumables, Hardware etc. This allows the company to offer wide range of products to its channel partners and project itself as a one stop shop for all its customers and retailers. The company has business relations with 28 global brands, has maintained strong vendor profile with significant vendor additions in the recent past. CIL does not have exclusivity agreements with most of its brands, however, some agreements do exist with specific brands in certain geographies.

Impact of Coronavirus and Industry Prospects

As the COVID-19 pandemic continues to spur remote working, sub segments such as public cloud services will continue to be a growth driver for the company, with cloud computing business contributing 6% of total revenue in FY21 as compared to 2% in FY20. The company has tied up with various vendors for cloud based products and is constantly trying to increase share of total revenue from high margin cloud based products. Further, Work from home has led to a new set of demand for IT products such as laptops, desktops and accessories



Press Release

alongwith increased demand for enterprise, cyber security and cloud softwares which are essential for efficient and safe working environment for the corporates. However, CIL recorded dip in revenue by 11.82% in FY21 at Rs.3729.79 crore as compared to Rs.4232.51 crore in FY20. This was on account of logistics and supply chain management – core functions of IT distribution industry – being severely impacted due to Covid-19 related lockdown restrictions in FY21.

Key Rating Weaknesses

Thin Operating Margins due to Trading Nature of Business and Highly Competitive Market Conditions

Low value additive nature of the IT distribution business, coupled with high competition in the industry due to low industry barriers results in the profitability of CIL to continue to remain thin. CIL recorded operating margin of 2.07% during FY21, as compared to 2.09% in FY20.

Inherent Business Risk

Although the company has been able to grow its business with its existing vendors, it is critically dependent on few major relationships that can potentially change in relatively quick time. In FY21, around 65% of CIL's total business came from selling products belonging to its top six vendors of CommScope, Cisco, Microsoft, Asus, HP and Sandisk. With the technology sector as dynamic as ever and newer products and innovations coming up at a fast pace, CIL could do better by diversifying its vendor portfolio.

Financial Leverage and Moderate Debt Coverage Parameters

The capital structure of CIL is moderately leveraged with its overall gearing ratio at 2.73x in FY21 from 2.37x in FY20 and TOL/TNW at 4.09x in FY21 as compared to 4.64x in FY20. Owing to the lower margins and leveraged structure, the company has reported moderate debt coverage parameters albeit, the promoters have managed to infuse fresh funds at regular intervals in the business.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria on assigning Rating Outlook](#)

Liquidity: Adequate

The liquidity of the company is adequate with expected gross cash accruals of Rs.32.75 crore, and debt repayment of Rs.32.21 crore due in FY22. The liquidity is further expected to improve with infusion of funds via rights issue to the extent of Rs.50 crore in 1QFY23. The company's



Press Release

working capital limit is highly utilised with average utilisation of 92.81% for the last twelve months ending January 2022.

About the Company

Compuage Infocom Limited (CIL) is a technology products distribution company in India is founded by Mr. Atul Mehta in 1987. Headquartered in Mumbai, CIL is a distribution intermediary of technology products and solutions like PC components and peripherals, enterprise solutions, mobility products, hardware services and cloud-computing. The company manages entire supply chain right from procurement, warehousing, broking bulk, technical support, transportation, and credit deployment. The distribution network of CIL consists of 46 sales offices, 25 warehouses and 69 service centres catering to over 12,000 channel partners (online and offline resellers and system integrators) spread across 600 cities and towns in India.

Financials (Standalone):

(Rs. crore)			
For the year ended / As on*	31-03-2019	31-03-2020	31-03-2021
	Audited	Audited	Audited
Total Operating Income	4514.84	4232.51	3729.79
EBITDA	78.07	88.52	77.06
PAT	22.58	30.76	20.47
Tangible Net worth	176.27	201.81	221.81
Total Debt	491.88	478.92	605.12
Ratios			
EBITDA Margin (%)	1.73	2.09	2.07
PAT Margin (%)	0.50	0.72	0.55
Overall Gearing Ratio (x)	2.79	2.37	2.73

*As per Infomerics' standards

Status of non-cooperation with previous CRA: None.

Any other information: Nil

Rating History for last three years:



Press Release

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (March 23, 2022)	Date(s) & Rating(s) assigned in 2020-21 (January 13, 2021)	Date(s) & Rating(s) assigned in 2019-20 (December 12, 2019)
1.	Long Term Bank Facility – Cash Credit/OD/ WCDL	Fund Based	383.00	IVR A-/ Credit Watch with Developing Implication	IVR BBB+/ Stable	IVR A-/Positive	IVR A-/Stable
2.	Long Term Bank Facility – Proposed Cash Credit/OD/ WCDL	Fund Based	67.00	IVR A-/ Credit Watch with Developing Implication	IVR BBB+/ Stable	IVR A-/Positive	IVR A-/Stable
3.	Long Term/Short Term Bank Facilities – LC/BG	Non-Fund Based	478.00	IVR A-/ Credit Watch with Developing Implication; IVR A2+/ Credit Watch with Developing Implication	IVR BBB+/ Stable / IVR A2	IVR A-/Positive Outlook/ IVR A2+	IVR A-/Stable/ IVR A2+
4.	Long Term/Short Term Bank Facilities – Proposed LC/BG	Non-Fund Based	32.00	IVR A-/ Credit Watch with Developing Implication; IVR A2+/ Credit Watch with Developing Implication	IVR BBB+/ Stable / IVR A2	IVR A-/Positive / IVR A2+	IVR A-/Stable/ IVR A2+

Name and Contact Details of the Rating Analyst:



Press Release

Name: Ruchi Shah Tel: (022) 62396023 Email: ruchi.shah@infomerics.com	Name: Prakash Kabra Tel: (022) 62396023 Email: prakash.kabra@infomerics.com
--	---

About Infomerics Ratings:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit/OD/WCDL	-	-	-	383.00	IVR A-/ Credit Watch with Developing Implication



Press Release

Proposed Cash Credit/OD/WCDL	-	-	-	67.00	IVR A-/ Credit Watch with Developing Implication
LC/BG	-	-	-	478.00	IVR A-/ Credit Watch with Developing Implication; IVR A2+/ Credit Watch with Developing Implication
Proposed LC/BG	-	-	-	32.00	IVR A-/ Credit Watch with Developing Implication; IVR A2+/ Credit Watch with Developing Implication

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Compuage-Infocom-lenders-march2022.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.