

May 5, 2010

CARE REAFFIRMS RATINGS ASSIGNED TO THE BANK FACILITIES OF IRIS COMPUTERS LIMITED

CARE has retained the 'CARE BBB' [Triple B] rating assigned to the Long-term Bank Facilities of Iris Computers Ltd. (ICL) of Rs.86.00 crore. This rating is applicable to facilities having tenure of more than one year. Facilities with this rating are considered to offer moderate safety for timely servicing of debt obligations. Such facilities carry moderate credit risk.

Also, CARE has retained the 'PR3' [PR Three] rating assigned to the Short-term Bank Facilities of ICL of Rs.30.00 crore. This rating is applicable to facilities having tenure up to one year. Facilities with this rating would have moderate capacity for timely repayment of short-term debt obligations at the time of rating and carry higher credit risk as compared to facilities rated higher.

Instrument	Amount (Rs. crore)	Rating
Long-term Bank Facilities	86.00	'CARE BBB'
Short-term Bank Facilities	30.00	'PR3'
Total	116.00	

Rating Rationale

The ratings continue to factor in ICL's established market position in distribution of computers, peripherals and accessories business, experienced promoter and management team, wide distribution network and association with established vendors. However, the ratings are constrained by moderate business risk involving low profitability margins and high overall gearing. The ratings also factor in the highly competitive market and impact of economic slowdown on the business of the company. Going forward, the company's ability to scale up operations and sustain profitability in the competitive IT distribution space, effective control over operating cycle and overall gearing would be the key rating sensitivities.

Company Profile

Iris Computers Ltd. (ICL) is engaged in distribution of computers, peripherals and accessories in India viz. desktops, notebooks, servers etc. In FY09, ICL added distribution of Microsoft software products to its portfolio and in FY2010, distribution of MSI and Adata memory were added. ICL is an authorised distributor for the technology products of HP Compaq, IBM, Lenovo, Dell, HCL and APC.

On a total income of Rs.823 cr, ICL earned a PAT of Rs.6 cr in FY09. As per the 9MFY10 results, ICL recorded total income of Rs.595 crore and PAT margin of 0.74%.

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CARE 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.

Disclaimer

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