April 30, 2024

Ample Retail Private Limited: Ratings Upgraded to [ICRA]BB+(Stable)/[ICRA]A4+

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based	8.00	8.50	[ICRA]BB+ (Stable); upgraded from [ICRA]BB (Stable)
Short-term fund-based	5.00	5.00	[ICRA]A4+; upgraded from [ICRA]A4
Long-term/ Short-term – Unallocated	1.00	0.50	[ICRA]BB+ (Stable)/[ICRA]A4+; upgraded from [ICRA]BB (Stable)/ [ICRA]A4
Total	**14.00**	**14.00**	

**Instrument details are provided in Annexure-I*

Rationale

ICRA has taken a consolidated view of Ample Technologies Private Limited (ATPL/ 'the company') and its subsidiaries, Ample Digital Private Limited (ADPL) and Ample Retail Private Limited (ARPL), collectively referred to as the Group, while arriving at the ratings given their common management and significant operational and financial linkages between them. The upgrade in the ratings factor in the significant improvement in the Group's revenues in FY2023 and 9M FY2024, and ICRA's expectation of a sustained financial performance in the near to medium term, supported by its healthy business profile, established relationships with key vendors across products ('Apple', 'Asics', 'Bose', 'Under Armour' and other branded information technology products), favourable demand outlook and low working capital intensity.

The Group has reported healthy growth in sales over the years with consolidated operating income increasing from Rs. 474.0 crore in FY2019 to Rs. 1450.2 crore in FY2023 (compound annual growth rate (CAGR) of 32.2%), aided demand for Apple products. The momentum continued in 9M FY2024 with revenues growing to Rs. 1,269.0 crore, representing annualised growth of 16.7%. However, it has had thin operating margins historically (4.0% in FY2023, and 3.5% in 9M FY2024) owing to trading nature of business and consequent limited value addition and restricted pricing flexibility. The relatively high debt levels vis-à-vis the Group's accruals have resulted in moderate coverage metrics of total outside liabilities (TOL)/total net worth (TNW) at 2.5 times as of March 31, 2023. The interest coverage was 2.9 times and 2.4 times in FY2023 and 9M FY2024 respectively. The improvement in coverage metrics in the backdrop of anticipated accruals and minimal capex plans over the medium term, remains to be seen. The Group's working capital intensity remains low, with net working capital (NWC) / operating income (OI) of 7.8% in FY2023, aided by favourable debtor days and moderate inventory levels.

Continued high popularity of 'Apple' products and improvement in penetration, partly aided by increase in retail stores is expected to support healthy sales for ATPL, going forward. The Group's margins are expected to remain range-bound over the medium term, although is it vulnerable to competitive pressure and any supply-chain disruptions. The Group has high product concentration in 'Apple' products and geographic concentration in southern India. The former results in high dependence on Apple's strategy for the Indian market, the success/volumes of 'Apple' products and the pace of new launches in a highly competitive environment. The latter exposes the Group to any localised downturn/unforeseen events or region-specific risks.

Key rating drivers and their description

Credit strengths

Healthy sales growth over the last few years; favourable demand outlook – The Group has reported healthy growth in sales over the years with consolidated operating income increasing from Rs. 474.0 crore in FY2019 to Rs. 1450.2 crore in FY2023

(CAGR of 32.2%), aided demand for 'Apple' products. The momentum continued in 9M FY2024 with revenues growing to Rs. 1,269.0 crore, representing annualised growth of 16.7%. Continued high popularity of Apple products and improvement in penetration, partly aided by increase in retail stores is expected to support healthy sales for ATPL, going forward.

Established relationships with key vendors across products – The Group has been selling 'Apple' products since 2004, predominantly purchased from Redington Limited and Ingram Micro India Private Limited. **'**Asics' products are bought directly from Asics India Private Limited. 'Bose' and 'Under Armour' products are purchased only within India from Savex Technologies Private Limited and Underdog Athletics India Private Limited, respectively. While the Group has no exclusivity on the brands, its established relationship with key vendors has supported its revenues.

Low working capital intensity; limited inventory and technology obsolescence risk – The Group had relatively low working capital intensity with NWC/OI of 7.8% in FY2023, aided by favourable debtor days and moderate inventory levels. It sells on cash and carry basis at its retail stores and with 30-45 days credit for corporate customers, while availing credit of 30-60 days for purchases. The Group maintains 30 days of inventory, translating to limited risks on the inventory or technology obsolescence. Further, the brand owners support the Group in selling relatively older products by compensating for any price drops in the same.

Credit challenges

Moderate coverage metrics - The group's total debt stood at Rs. 161.2 crore as of March 31, 2023 (predominantly working capital borrowings of Rs. 114.7 crore) and at Rs. 129.8 crore as of December 31, 2023 (includes working capital borrowings of Rs. 79.2 crore). The relatively high debt levels vis-à-vis the Group's accruals have resulted in moderate coverage metrics of TOL/TNW at 2.5 times as of March 31, 2023. The interest coverage was 2.9 times and 2.4 times in FY2023 and 9M FY2024 respectively. The improvement in coverage metrics in the backdrop of anticipated accruals and minimal capex plans over the medium term, remains to be seen.

High product concentration with 'Apple' products – The flagship business of the Group reselling 'Apple' products. Hence, the Group's sales mix is skewed towards Apple Inc.'s products, which constituted over 85% of its consolidated revenues in 9M FY2024. The Group has high dependence on Apple's strategy for the Indian market, the success/volumes of Apple products and the pace of new launches in a highly competitive scenario. However, 'Apple' products have experienced continued popularity over the last several years as evident from Apple India Private Limited's revenues of over Rs. 49,000 crore in FY2023, representing 48% YoY growth. Also, the Group's intentions to diversify its product portfolio going forward, provide comfort to an extent.

High geographic concentration – The Group has 37 'Apple' retail stores and 23 service centres, of which over 90% are concentrated in Southern India. The high geographic concentration exposes the Group to any localised downturn/unforeseen events or region-specific risks. However, the expected addition of stores in other regions and addition of stores for other brands could reduce the concentration going forward.

Thin operating profit margins; intense competition restricting pricing flexibility – The Group has had thin operating profit margins historically owing to trading nature of business and consequent limited value addition. Further, it witnesses intense competition from other dealers restricting pricing flexibility. The Group reported operating profit margin of 4.0% in FY2023, and 3.5% in 9M FY2024. ICRA expects the Group's margins to remain range-bound over the medium term, although is it vulnerable to competitive pressure and any supply-chain disruptions.

Liquidity position: Adequate

The Group's liquidity is adequate, supported by anticipated cash accruals from the business, consolidated cash and bank balances of Rs. 9.8 crore as of December 31, 2023, undrawn cash credit/overdraft facilities of Rs. 41.8 crore as of December 31, 2023. The Group had moderate utilisation of working capital facilities with average utilisation at 66% during the 13-month period between January 2023 and February 2024 period. As against these sources of cash, it has repayments of Rs. 7.1 crore in FY2025 and Rs. 7.3 crore in FY2026 on existing loans. Further, the Group has annual capex requirement of ~Rs. 20 crore each over the medium term, towards store additions and renovations, expected to be funded through internal accruals and debt on need basis.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if Ample Group demonstrates healthy growth in earnings along with improvement in debt metrics and liquidity position on a sustained basis.

Negative factors – ICRA could downgrade the ratings if there is a significant decline in revenues or operating profits and large debt funded capex adversely impacting the liquidity position of Ample Group. Specific credit metric for a rating downgrade includes TOL/TNW over 2.5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Retail
Parent/Group support	Not applicable
Consolidation/Standalone	ICRA has taken a consolidated view of Ample Technologies Private Limited (ATPL) and its subsidiaries, Ample Digital Private Limited (ADPL) and Ample Retail Private Limited (ARPL), while arriving at the ratings given their common management and significant operational and financial linkages.

About the company

Ample Technologies Private Limited was incorporated in 1999. The company was the first to own and operate India's first Apple exclusive retail store, 'IMAGINE', in 2004. The company also has Apple authorised service centres, 'iCARE', in addition to 'Asics' sports apparel and accessories outlets. Ample Digital Private Limited, a wholly-owned subsidiary of ATPL, handles the B2B business of 'Apple' products and other electronics goods. Ample Retail Private Limited, ATPL's other wholly-owned subsidiary, runs 'Bose' brand outlets for audio equipment. ARPL also operates the 'Under Armour' brand of sports apparel, footwear and accessories outlets in India.

Key financial indicators (audited)

ARPL Standalone	FY2022	FY2023
Operating income	84.5	164.2
PAT	-0.3	5.8
OPBDIT/OI	2.2%	7.1%
PAT/OI	-0.4%	3.5%
Total outside liabilities/Tangible net worth (times)	5.8	5.2
Total debt/OPBDIT (times)	8.7	3.8
Interest coverage (times)	1.4	4.9

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore; Financial ratios in this document is ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances

ATPL Consolidated	FY2022	FY2023
Operating income	1,148.4	1,450.2
PAT	24.3	23.9
OPBDIT/OI	4.3%	4.0%
PAT/OI	2.1%	1.6%
Total outside liabilities/Tangible net worth (times)	2.3	2.5
Total debt/OPBDIT (times)	1.5	2.8
Interest coverage (times)	4.2	2.9

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore; Financial ratios in this document is ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances

Status of non-cooperation with previous CRA: None

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2025)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
					Apr 30, 2024	-	Jan 31, 2023	-
1	**Fund based limits**	Long term	8.50	--	**[ICRA]BB+ (Stable)**	-	**[ICRA]BB (Stable)**	-
3	**Fund based limits**	Short term	5.00	--	**[ICRA]A4+**	-	**[ICRA]A4**	-
5	**Unallocated**	Long term /Short term	0.50	--	**[ICRA]BB+ (Stable)/ [ICRA]A4+**	-	**[ICRA]BB (Stable)/ [ICRA]A4**	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund based	Simple
Short term fund based limits	Simple
Long-term/short-term – Unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long term fund based	NA	NA	NA	8.50	[ICRA]BB+ (Stable)
NA	Short term fund based	NA	NA	NA	5.00	[ICRA]A4+
NA	Long-term/ short-term – Unallocated	NA	NA	NA	0.50	[ICRA]BB+ (Stable)/ [ICRA]A4+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	ATPL Ownership	Consolidation Approach
Ample Digital Private Limited	100.00%	Full Consolidation
Ample Retail Private Limited	100.00%	Full Consolidation

Source: ATPL annual report FY2022; Note: ICRA has taken a consolidated view of the parent (ATPL) and its subsidiaries while assigning the ratings.

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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