

January 29, 2025

Acer India (Pvt) Ltd.: Ratings upgraded; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/ Short-term – Non-fund based – Bank Guarantee	770.00	1081.40	[ICRA]A-(Stable)/[ICRA]A2+; upgraded from [ICRA]BBB+(Stable)/[ICRA]A2; assigned for enhanced amount
Total	770.00	1,081.40	

*Instrument details are provided in Annexure-I

Rationale

The ratings upgrade for Acer India (Pvt) Ltd (AIPL) factors in its strong revenue growth and higher internal accrual generation, aided by steady demand and growing market share in the personal computer (PC) market in India. AIPL's market share¹ over the past five years increased to 14.6% in Q3 CY2024 from 9.5% in Q3 CY2020. In FY2024, AIPL reported strong revenue growth of 22% to Rs. 5,011.8 crore, primarily driven by robust demand from the education segment and the Government's digitisation efforts. The company's notebook and desktop segment grew by 17% and 29%, respectively, while other segments such as tablets and interactive flat panels (IFP) grew by 9%. The company's growth momentum is expected to sustain in FY2025, with AIPL reporting revenue of ~Rs. 4,900 crore until December 2024.

The ratings also factor in AIPL's healthy financial profile, characterised by steady accrual generation, debt-free status as on December 31, 2024, and an adequate liquidity position. AIPL also continues to benefit from its strong parentage with Acer Inc. (AI). It is among the leading players in the global PC market with strong brand presence in key geographies, including India. AI's revenue in 2023 witnessed a YoY decline of 12.4% to NT\$ 241.3 billion owing to weak global demand for desktops and notebooks. However, with the market bottoming in May 2023, revenue witnessed gradual growth. Acer Inc witnessed healthy YoY revenue growth of 11.5% to NT\$ 198.7 billion until September 2024. AI's margins, however, remained stable through 2023 and 2024. AIPL enjoys flexible credit terms on sourcing from its parent (the 'Acer Group') along with marketing, management and product support as both companies operate in the same business segment. Further, over the years, AIPL has established a well-entrenched distribution network by associating with numerous channel partners to cater to retail/ commercial/ enterprise customer requirements. Supported by its brand strength, has enabled the company to develop established relationships with its key customers, constituting reputed entities.

However, the ratings are constrained by AIPL's thin operating profit margins (0.6-0.9% over the past five years), although attributable to the trading nature of its business and limited pricing flexibility owing to intense competition in the industry. Nevertheless, ICRA also notes that the overall business environment in the PC segment continues to be challenging due to the extended replacement cycle and competition from the tablet and smartphone segments, wherein AIPL has a limited but growing presence. The company also has sizeable contingent liabilities, whose materialisation can have an adverse impact on its credit profile. ICRA also notes the Government regulation restricting the import of certain IT products (namely laptops, tablets, all-in-one PCs, ultra-small form factor computers, servers, etc.) effective from November 1, 2023. Nonetheless, the import of such products is allowed against valid licenses. Besides, the regulation has led the company to increase its manufacturing/assembly in India, with ~25-30% of its notebooks assembled in India compared to 10% in the previous year.

¹ as per International Data Corporation

The Stable outlook on the long-term rating reflects ICRA's opinion that AIPL's credit profile will continue to be supported by its strong parentage, established brand and market position, enabling it to generate steady revenue growth and higher accrual generation.

Key rating drivers and their description

Credit strengths

Strong brand presence in international and domestic markets – AI is one of the leading players in the global computer market, with a market share of ~7.9% in Q3 CY2024 (as per International Data Corporation, or IDC). AIPL is the third-largest player in the PC market in India with a market share of 14.6% in Q3 CY2024 (as per IDC).

Financial and operational support from the parent company – AIPL, a wholly-owned subsidiary of Acer Inc., derives significant support from its parent in terms of availing flexible credit periods on purchased products, import invoicing in the Indian currency, sourcing products at short notice and receiving marketing, management and product support since both companies operate in the same business segment. Moreover, the parent has extended letters of comfort (LoCs)/ corporate guarantees against the limits availed by AIPL in India.

Well-entrenched distribution network and established relationships with key customers, including reputed entities – AIPL has a diversified geographical footprint, supported by its well-entrenched distribution network. The entity has ~700-800 retail touch points across India consisting of Acer Plazas (exclusive for Acer products) and various multi-brand stores, including Vijay Sales, Chroma and Reliance Retail. Moreover, the company's client base includes reputed names such as Tata Consultancy Services Limited, Flipkart India Private Limited, Redington (India) Ltd., Superton Electronics Pvt Ltd and Ingram Micro India Pvt. Ltd., with whom the company enjoys strong relationships built over many years.

Healthy financial profile marked by strong revenue growth, increased accrual generation and comfortable capital structure – The company's financial profile remains healthy, as reflected by its growing scale of operations and higher accrual generation, comfortable capital structure, healthy coverage metrics and adequate liquidity position. AIPL remained debt-free as on December 31, 2024, and its credit facilities are primarily in the form of bank guarantees, which are used to provide earnest money deposits and performance guarantees for contract orders. The company's capital structure remains healthy with a net worth of ~Rs. 247.3 crore as on March 31, 2024, and adequate liquidity with free cash and bank balance of Rs. 170 crore as on December 31, 2024. Moreover, AIPL follows a prudent financial policy of insuring the bulk of its receivables and hedging its foreign currency exposures. ICRA expects the company's financial profile to remain comfortable with steady accrual generation and a debt-free status.

Credit challenges

Thin operating margin – The company's OPM and NPM remain low, in line with the nature of the trading business, high competitive intensity of the industry and the transfer pricing agreement with its parent. AIPL's OPM has remained at the 0.6–0.9% range in recent years, which is expected to remain stable over the near-to-medium term. The company's PAT margins increased to 1.4% in FY2024 from 0.7% in the previous year, owing to interest income from income tax refunds. Going forward, PAT margins will remain at 0.5-0.7%.

Intensely competitive market – The industry is characterised by intense price-based competition among players. This limits the pricing flexibility for players across the industry, resulting in thin margins. Moreover, the computer market is very competitive and AIPL generally prices its products below its other MNC competitors. This is due to the intense competition in the desktop and laptop market, which has kept tight control over product pricing. The margins are especially low for tender-based Government sector orders.

Risks associated with sizeable contingent liabilities – As of March 2024, AIPL reported contingent liabilities of ~Rs. 626 crore in income tax demands and ~Rs. 274 crore in indirect tax demands. The company received a favourable order from the income tax tribunal for some of the disputed demands in FY2024. However, the demands are currently being legally contested.

Nonetheless, any adverse rulings in these ongoing legal cases can have an adverse impact on AIPL's financial profile. However, this risk is mitigated to some extent, considering AIPL's liquidity and extended parent support.

Liquidity position: Adequate

AIPL's liquidity profile remains adequate, supported by steady internal accrual generation, free cash balances and fixed deposits (~Rs. 170 crore as on December 31, 2024), funding support from its parent in the form of extended credit period and no scheduled debt repayment liability. Moreover, the company's financial flexibility is strengthened by its debt-free status and strong parentage.

Rating sensitivities

Positive factors – ICRA may upgrade AIPL's ratings if there is a significant increase in revenue and earnings and growth in the company's market share or of the Acer Group on a sustained basis, leading to further strengthening of the credit profile. Moreover, the strengthening of AI's credit profile will also be a positive factor.

Negative factors – ICRA may downgrade AIPL's ratings if there is sustained pressure on revenue and earnings, or a stretch in the liquidity position, weakening the company's credit profile. Moreover, the weakening of AI's credit profile or strategic linkages between AIPL and AI could also exert pressure on the ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	AIPL's ratings factor in the high likelihood of its parent, Acer Inc., extending financial support to it because of the close business linkages between them. ICRA also expects Acer Inc. to be willing to extend financial support to AIPL out of its need to protect its reputation from the consequences of a group entity's distress.
Consolidation/Standalone	The ratings are based on the standalone financial profile of AIPL.

About the company

AIPL, founded in 1999, is a 100% subsidiary of Acer Inc., a global major in hardware and electronics. The company is among the top five suppliers of personal computers in India and supplies tablets, laptops, notebooks, monitors and IFPs.

Key financial indicators (audited)

AIPL – Standalone	FY2023	FY2024
Operating income	4100.8	5,011.8
PAT	27.9	68.1
OPBDIT/OI	0.7%	0.9%
PAT/OI	0.7%	1.4%
Total outside liabilities/Tangible net worth (times)	8.5	9.3
Total debt/OPBDIT (times)	-	0.2
Interest coverage (times)	16.2	11.1

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

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)	Jan 29, 2025	FY2024		FY2023		FY2022	
					Date	Rating	Date	Rating	Date	Rating
1	Non-Fund-based bank-Bank Guarantee	Long term and short term	1,081.40	[ICRA]A-(Stable)/[ICRA]A2+	Oct 06, 2023	[ICRA]BBB+(Stable)/[ICRA]A2	Aug 04, 2022	[ICRA]BBB+(Stable)/[ICRA]A2	Sept 30, 2021	[ICRA]BBB+(Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term / Short term - Non- Fund Based -Bank Guarantee	Simple

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	Bank Guarantee	NA	NA	NA	1081.40	[ICRA]A-(Stable)/ [ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not applicable

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