

April 30, 2024

Ample Technologies 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 – Cash Credit | 27.00 | 26.00 | [ICRA]BB+ (Stable); upgraded from [ICRA]BB (Stable) |
| Short-term fund-based | 19.00 | 16.00 | [ICRA]A4+; upgraded from [ICRA]A4 |
| Short-term non-fund based | 4.00 | 2.00 | [ICRA]A4+; upgraded from [ICRA]A4 |
| Long-term/ Short-term – Unallocated | - | 6.00 | [ICRA]BB+ (Stable)/[ICRA]A4+; upgraded from [ICRA]BB (Stable)/[ICRA]A4 |
| Total | 50.00 | 50.00 | |

*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 it is 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 it is 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)

| 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:

| CRA | Status | Date of Release |
|--------|--|-----------------|
| ACUITE | ACUITE B+ /ACUITE A4; ISSUER NOT COOPERATING | May 29, 2023 |

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 | Date & rating in FY2025 | Date & rating in FY2024 | Date & rating in FY2023 | Date & rating in FY2022 |
| | | | (Rs. crore) | Apr 30, 2024 | | | |
| 1 Fund based limits – Cash credit | Long term | 26.00 | -- | [ICRA]BB+ (Stable) | - | [ICRA]BB (Stable) | [ICRA]B+ (Stable); ISSUER NOT COOPERATING |
| 2 Fund based limits – Term loans | Long term | -- | -- | -- | - | -- | [ICRA]B+ (Stable); ISSUER NOT COOPERATING |
| 3 Fund based limits | Short term | 16.00 | -- | [ICRA]A4+ | - | [ICRA]A4 | [ICRA]A4; ISSUER NOT COOPERATING |
| 4 Non-fund based limits | Short term | 2.00 | -- | [ICRA]A4+ | - | [ICRA]A4 | [ICRA]A4; ISSUER NOT COOPERATING |
| 5 Unallocated | Long term/Short term | 6.00 | -- | [ICRA]BB+ (Stable)/[ICRA]A4+ | - | -- | [ICRA]B+ (Stable)/[ICRA]A4; ISSUER NOT COOPERATING |

Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|------------------------------------|----------------------|
| Long-term fund based – Cash credit | Simple |
| Short term fund based limits | Simple |
| Short term non-fund based limits | Very 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 – Cash credit | NA | NA | NA | 26.00 | [ICRA]BB+ (Stable) |
| NA | Short term fund based | NA | NA | NA | 16.00 | [ICRA]A4+ |
| NA | Short term non-fund based | NA | NA | NA | 2.00 | [ICRA]A4+ |
| NA | Long-term/ short-term – Unallocated | NA | NA | NA | 6.00 | [ICRA]BB+ (Stable)/ [ICRA]A4+ |

Source: Company

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 FY2023; Note: ICRA has taken a consolidated view of the parent (ATPL) and its subsidiaries while assigning the ratings.

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545 328
shamsherd@icraindia.com

Srikumar K
+91 44 4596 4318
ksrikumar@icraindia.com

Vinutaa S
+91 44 4596 4305
Vinutaa.s@icraindia.com

Sriraman Mohan
+91 44 4596 4316
sriraman.mohan@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

For more information, visit www.icra.in

ICRA Limited



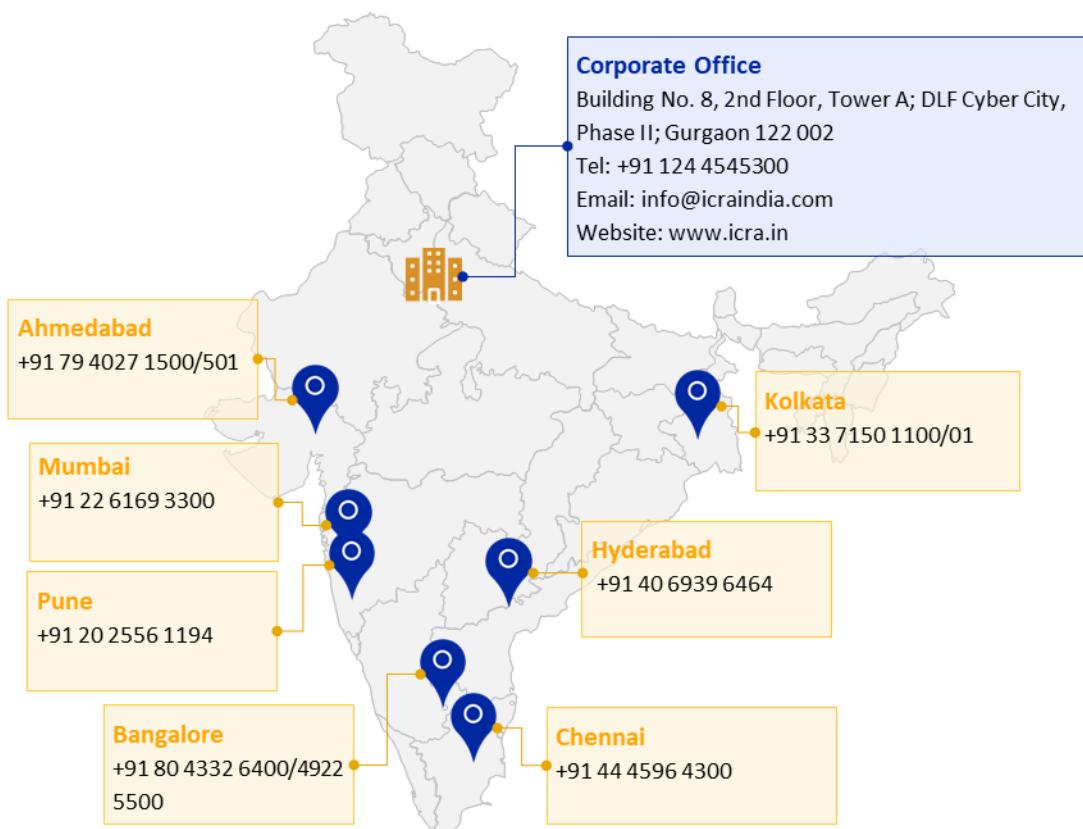
Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.