

January 31, 2023

Ample Digital Private Limited: [ICRA]BB (Stable)/[ICRA]A4 assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long term fund based – Cash Credit	26.00	[ICRA]BB (Stable); assigned
Short term - fund based	12.50	[ICRA]A4; assigned
Long term/Short term – Unallocated	1.50	[ICRA]BB (Stable)/[ICRA]A4; assigned
Total	40.00	

*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 Ample Group, while assigning the credit ratings given their common management and significant operational and financial linkages between them.

The ratings factor in the established relationship and extensive experience of the Group as a premium reseller of Apple electronics goods, which drive over 85% of its consolidated operating income. The surge in demand for IT products due to the increasing consumer trend of using technology since the pandemic, remote working trends and the launch of new products by Apple have supported the topline. In addition, diversification into retail stores for 'Bose' audio equipment, 'Asics' and 'Under Armour' sporting apparel and accessories, which has helped it report a consolidated operating income of Rs. 1,148.4 crore in FY2022, representing YoY growth of 31.4%. The supply of most of the electronic goods were impacted in FY2022 due to semiconductor shortage. However, the supply was uninterrupted from April 2022 and increase in stores, launch of new products have aided in consolidated operating income of Rs. 714.5 crore (without elimination) in H1 FY2023. With the expected addition of stores, currently concentrated in southern India, and the growing popularity of Apple products, healthy growth in operating income is expected, going forward.

The ratings, however, remain constrained by the inherently low operating margins from the low value addition given the nature of the business, intense competition in the mobile retail industry and stretched liquidity position of the Group. The company has annual capex requirement of ~Rs. 20 crore each towards store additions and renovations, expected to be funded through internal accruals and partly funded by external debt, if required. The working capital intensity is low with NWC/OI at 5.2% in FY2022, with moderate capitalisation and coverage indicators. ICRA notes the auditor's observations in the annual reports of FY2019, FY2020 and FY2021, indicating delays in servicing term loans and ECLGS loans obtained by ATPL and ADPL. As confirmed by the lenders, ICRA understands that the delays were due to technical reasons at the banker's end. However, no similar observations have been made in the FY2022 annual report and the banker's feedback remains clean.

The Stable outlook reflects ICRA's expectation that the Ample Group will continue to benefit from its established relationship with Apple, the diversification of its business and addition of stores.

Key rating drivers and their description

Credit strengths

Healthy sales growth over last few years primarily attributable to increased demand for Apple products – The company recorded healthy growth in sales over the years with consolidated operating income of Rs. 459.0 crore in FY2018 to Rs. 1148.4 crore in FY2022, aided primarily by new product launches and demand for Apple products. Growing popularity of Apple products and increase in stores are expected to support healthy sales, going forward.

Improving diversity of business – The company has established relationship and extensive experience in selling Apple products through retail stores and B2B corporate sales. In the past few years, the Group is diversifying its business into retail stores for ‘Bose’ audio equipment, ‘Asics’ and ‘Under Armour’ sporting apparel and accessories. The company had 29 Bose retail stores, nine Asics retail stores and eight Under Armour stores as of September 30, 2022. The concentration of Apple products from over 90% in FY2019 has come down to around 85% in H1 FY2023. With expected addition of other brand outlets, further diversification is expected, going forward.

Established relationships with key vendors – The company enjoys extensive experience in 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. The company has low working capital intensity with NWC/OI at 5.2% in FY2022, as it mainly purchases on credit and sells on cash basis at its retail stores. The suppliers offer credit period of 30-60 days and the company also utilises the working capital facilities and channel financing facilities to settle them. Its corporate customers are significant debtors for the company, to whom it offers 30-45 days credit period.

Credit challenges

Low profitability primarily from trading nature of business and high fixed overheads inherent in the retail industry - Given the retail nature of operations, the entity’s operating margins are expected to remain at moderate levels. Ample Group’s margins remain limited due to lack of pricing flexibility amid intense competition. In FY2022, the company reported OPBITDA margin of 4.3% in FY2022 against 5.0% in FY2021, mainly due to partial disruption of supply of electronics goods from semiconductor shortages, which resulted in lower recovery of fixed costs. The availability of products improved in H1 FY2023, which supported in improvement in sales and recovery of fixed costs, resulting in improved margins. The margins are thin due to the nature of trading business.

High product concentration with Apple products – The flagship business of the company is reselling of Apple products. Being an Apple reseller, the company’s sales mix is skewed towards Apple Inc. products, which constituted over 85% of its consolidated revenues in H1 FY2023. The company has high dependence on Apple’s strategy for the Indian market, the success of Apple products and the pace of new launches in a highly competitive scenario. However, Apple products have experienced growing popularity over the past few fiscals as evident from Apple India Private Limited’s revenue of over Rs. 33,000 crore in FY2022, representing 45% YoY growth. Further, the increasing diversity of the company’s businesses mitigate the risk to an extent.

High geographic concentration of stores with over 90% of sales from southern India – The company has 28 Apple retail stores and 25 service centres, of which over 90% are concentrated in southern India. The company started with stores in Karnataka, before diversifying across Tamil Nadu, Kerala, Andhra Pradesh and Telangana. The expected addition of stores in other regions and addition of stores for other brands mitigate the risk to an extent.

Intensely competitive industry restricts pricing flexibility - High competitive pressure and improving market share of e-commerce players exert pressure on the company’s profitability. The company also faces competition from other premium Apple resellers, large-format retail stores and unorganised players.

Liquidity position: Stretched

ATPL’s liquidity is expected to remain stretched, evidenced by its consolidated cash and liquid investments of Rs. 10.8 crore as of September 30, 2022, and minimal undrawn facilities due to significant utilisation of working capital facilities. The company has annual capex requirement of ~Rs. 20 crore each towards store additions and renovations, expected to be funded through internal accruals and partly funded by external debt, if required.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if Ample Group demonstrates healthy growth in earnings along with improvement in liquidity position and debt metrics 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 Rating Methodology - Retail Rating Approach - Consolidation
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 assigning the credit ratings given their common management and significant operational and financial linkages between them

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)

ADPL Standalone	FY2021	FY2022
Operating income	237.8	371.5
PAT	5.8	7.4
OPBDIT/OI	3.7%	3.2%
PAT/OI	2.4%	2.0%
Total outside liabilities/Tangible net worth (times)	4.6	3.0
Total debt/OPBDIT (times)	1.5	2.1
Interest coverage (times)	7.9	6.2

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	FY2021	FY2022
Operating income	873.9	1,148.4
PAT	23.1	24.3
OPBDIT/OI	5.0%	4.3%
PAT/OI	2.6%	2.1%
Total outside liabilities/Tangible net worth (times)	2.5	2.3
Total debt/OPBDIT (times)	1.1	1.5
Interest coverage (times)	4.1	4.2

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	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of Sep 30, 2022 (Rs. crore)	Date & rating in FY2023 Jan 31, 2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
1 Fund based limits – Cash credit	Long term	26.00	--	[ICRA]BB (Stable)	-	-	-
3 Fund based limits	Short term	12.50	--	[ICRA]A4	-	-	-
5 Unallocated	Long /Short term	1.50	--	[ICRA]BB (Stable)/[ICRA]A4	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund based – Cash credit	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 – Cash credit	NA	NA	NA	26.00	[ICRA]BB (Stable)
NA	Short term fund based	NA	NA	NA	12.50	[ICRA]A4
NA	Long term/Short term – Unallocated	NA	NA	NA	1.50	[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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