

Press Release

Ample Technologies Private Limited

October 03, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 50.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and short-term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 50.00 crore bank facilities of AMPLE TECHNOLOGIES PRIVATE LIMITED. The outlook is '**Stable**'.

Karnataka-based, Ample Technologies Pvt. Ltd. (ATPL) has a wholly-owned subsidiary – Ample Digital Pvt. Ltd. (ADPL) – together referred to as Ample Group (AG). ATPL was established in 1999, it is an Apple premium reseller and service provider under the retail brand store named Image and I-care. The group is also engaged in selling products of sports brand such as ACSIS and Under Armour. ATPL is currently operating retail stores in Karnataka, Madhya Pradesh, Delhi, Maharashtra, Tamil Nadu, Goa, Kerala and Telangana. ADPL was incorporated in 2014 and it is engaged in resale of technology-based solutions to corporates. It has partnered with brands such as Apple, Samsung, Adobe, Dell- EMC, HP, IBM, Microsoft, Lenovo, etc., to cater to B2B customers.

Analytical Approach

Acuité has consolidated the business and financial risk profile of Ample Technologies Private Limited (ATPL) and its subsidiary Ample Digital Private Limited (ADPL) together referred to as the Ample Group (AG). The consolidation is in view of common management, shared brand name and significant financial and operating linkages between the various entities of the group. Extent of Consolidation: Full

Key Rating Drivers

Strengths

• **Established track record and experienced promoters:**

Ample Group is promoted by Mr. Rajesh Narang Ashok and Mr. Ashok Kumar Narang. The promoters of the group have been engaged in the same industry for over than two decades. The operations of the group are spread across eight states with a network of 55 retail stores. The group has established its presence in consumer durables segments and has established healthy relationships with suppliers of Apple, Samsung and other products.

Acuité believes that Ample Group will benefit from its established presence and experienced management team.

Weaknesses

• **Average Financial Risk Profile:**

Ample Group has an average financial risk profile marked by tangible net worth of Rs. 32.36 crore as on March 31, 2019 (Provisional) as against Rs. 31.08 crore as on March 31, 2018. The debt to equity ratio stood at 1.71 times as on 31 March 31, 2019 (Provisional) as against 1.68 times as on 31 March, 2018. The debt of Rs. 55.31 crore mainly consists of term loans of Rs. 7.15 crore, unsecured loans from promoters and friends Rs. 9.33 crore and working capital borrowings of Rs. 38.84 crore as on 31 March, 2019 (Provisional). Interest Coverage Ratio (ICR) stood at 1.51 times for FY2019 (Provisional) and FY2018, while Debt Service Coverage Ratio (DSCR) stood at 1.26 times for FY2019 (Provisional) as against 0.11 times in FY2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.33 times as on 31 March, 2019 (Provisional) as against 3.21 times as on 31 March, 2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.08 times as on 31 March, 2019 (Provisionals) as against 0.07 times as on 31 March, 2018. The group constantly upgrades its retail outlets and opens new outlets every year, which

may require fresh funding.

Acuité expects the financial risk profile to be maintained at existing levels due to continuous expansion plans of the group.

• Intense competition impacting revenues and profitability:

Ample Group operates in an industry characterized by intense competition from large retail stores offering a variety of products under the same roof offering higher discounts. The group also faces competition from other brands such as XIAOMI, Samsung, among others with higher market share, which has impacted the group's operating performance. Retail sales have remained flatish at Rs. 306 crore in FY2019 (Provisional) as against Rs. 308.36 crore in FY2018. The group has thin profit margins with EBITDA of 2.80 per cent in FY2019 (Provisional) as compared to 2.54 per cent in FY2018. Further, the Profit after tax (PAT) margin stood at 0.29 per cent in FY2019 (Provisional) compared to 0.22 per cent in FY2018. This is mainly on account of the trading nature of operations.

Acuité believes that the ability of the group to scale up its operations, while maintaining its profitability, will be a key rating monitorable.

Rating Sensitivity:

- Improvement in revenues and profitability
- Improvement in financial performance

Material Covenants:

As stipulated in sanction letter, adverse deviation of more than 20 per cent in TOL/TNW - 5 times, current ratio - 1.20 times and interest coverage ratio of - 2 times.

Liquidity - Stretched

The group has a stretched liquidity profile. The group generated cash accruals of Rs. 4.52 crore for FY2019 (Provisional), while it's maturing debt obligations were Rs. 3.66 crore for the same period. The cash accruals of the group are estimated to remain in the range of around Rs. 4.50 crore to Rs. 6.50 crore during 2020-22, against repayment obligation in the range of Rs. 2.00- 3.50 crore. The group maintains unencumbered cash and bank balances of Rs. 2.48 crore as on 31 March, 2019 (Provisional). The current ratio stood at 1.00 times as on 31 March, 2019 (Provisional). Acuité believes that the liquidity of the group is likely to remain stretched over the medium term on account of continuous capex plans towards upgrading of retail outlets.

Outlook: Stable

Acuité believes that AG will maintain a 'Stable' business risk profile over the medium term. The group will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the group registers healthy growth in revenues, while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the group's revenues or profit margins, or in case of deterioration in the group's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	475.04	458.52	449.06
EBITDA	Rs. Cr.	13.32	11.64	10.84
PAT	Rs. Cr.	1.36	1.01	0.07
EBITDA Margin	(%)	2.80	2.54	2.41
PAT Margin	(%)	0.29	0.22	0.02
ROCE	(%)	12.30	12.49	12.44
Total Debt/Tangible Net Worth	Times	1.71	1.68	1.27
PBDIT/Interest	Times	1.51	1.51	1.38
Total Debt/PBDIT	Times	4.09	4.38	3.52
Gross Current Assets (Days)	Days	68	71	63

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE BB / Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BB / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	4.28	ACUITE BB / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB / Stable (Assigned)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4+ (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4+ (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	16.72	ACUITE BB / Stable (Assigned)

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About Acuité Ratings & Research:

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