



Press Release
ACER INDIA PRIVATE LIMITED
December 12, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	836.40	ACUITE A- Stable Assigned	-
Bank Loan Ratings	175.00	-	ACUITE A1 Assigned
Total Outstanding Quantum (Rs. Cr)	1011.40	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and the short-term rating of '**ACUITEA1**' (read as **ACUITE A one**) on the Rs. 1011.40 Cr. bank facilities of Acer India Private Limited (AIPL). The outlook is '**Stable**'.

Rationale for rating

The rating takes into cognizance experienced management and strong parentage of the group company Acer Incorporated Taiwan, healthy revenues, healthy financial risk profile, adequate liquidity position; however these strengths are partly offset by intensive working capital, thin operating profitability margins and risks associated with the contingent liabilities.

About the Company

Karnataka based, Acer India Private Limited (AIPL), incorporated in 1999, the Company is a wholly owned subsidiary of Acer Incorporated Taiwan. The Company is into trading and manufacturing of computer systems and peripherals. It is a global major in hardware and electronics such as Desktop, Laptops, Notebook, Projectors, Monitor, Server, Tablet, and others. Mr. Harish Kumar Kohli, managing director along with non-executive directors of Acer Incorporated Taiwan namely Mr. Hou Chih Yuan and Ms. Chen Yu Ling are the present directors of the company.

Unsupported Rating

ACUITE BBB/Stable/A2

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of Acer India Private Limited (AIPL) to arrive at the rating. While arriving at the rating of AIPL, Acuite has taken into account a strong level of support from the Acer group given that Acer Group has a significant stake in AIPL, corporate guarantee provided by Acer Incorporated Taiwan on the bank facilities of AIPL.

Key Rating Drivers

Strengths

Experienced management and strong parentage of Acer Incorporated Taiwan

The company is backed by Mr. Harish Kumar Kohli, managing director along with non-executive directors of Acer

Inc. Taiwan namely Mr. Hou Chih Yuan, and Ms. Chen Yu Ling. AIPL, a wholly owned subsidiary of Acer Inc. Taiwan, global major in personal computer/notebook market with strong brand presence in key geographies derives significant support from its parent in terms of the brand name, marketing globally, availing flexible credit period. Moreover, the corporate guarantees extended to AIPL by Acer Inc., Taiwan. Acuite believes that the experience management and strong parentage of Acer Inc Taiwan will leverage the business and will continue to benefit the company going forward.

Healthy Revenues of the company

The revenues of the company have increased to Rs. 4996.12 Cr. as on FY 2024 as compared to Rs. 4089.84 Cr. due to increase in the quantity sold of the products and higher realisation per unit. Additionally, the company received higher amounts of Government orders and higher sales through E-Commerce majorly during festive seasons and the Acer group has gained market share and have risen from 6th highest to 4th highest PC/ notebook brand worldwide.

Healthy financial profile

The financial risk profile of the company is healthy marked by comfortable net worth, moderate gearing and comfortable debt protection metrics. The tangible net worth stood at Rs.247.34 Cr. as on March 31, 2024 as compared to Rs. 179.24 Cr. as on March 31,2023 due to accretion of reserves. AIPL remains debt free and its credit facilities are in the form of bank guarantees, which are used to provide earnest money deposits and performance guarantees about 7-10% for contract orders. Gearing stood at 0.04 times as on March 31, 2024. The interest coverage ratio stood at 23.40 times as on March 31, 2024 compared to 21.72 times as on March 31, 2023. The debt service coverage ratio stood stable at 17.84 times as on March 31, 2024 as compared to 17.03 times as on March 31, 2023. The TOL/TNW stood at 9.34 times as on March 31, 2024 compared to 8.54 times as on March 31, 2023 largely due to credit extension by Acer Inc. (Taiwan). Acuite believes that the company's financial risk profile will remain healthy in medium term backed by steady cash accruals.

Weaknesses

Thin operating profitability margins

The operating margins although thin have increased to 0.92 percent in FY 2024 as compared to 0.71 percent as on FY 2023 on account of trading nature of its business and limited pricing flexibility owing to the intense competition in the industry. In addition to it, any obsolete models are sold at a discount in the market which at times lead to lower margins. Acuite believes that the margins of the company is expected to remain at similar low levels over the medium term.

Intensive working capital management

The operations of the company have an intensive working capital requirement as reflected from Gross Current Assets of 183 days as on March 31, 2024 compared to 147 days as on March 31, 2023. The inventory days stood at 64 days as on March 31, 2024 as compared to 58 days as on March 31, 2023. The debtor days stood at 84 days as on March 31, 2024 compared to 40 days as on March 31, 2023. The creditor days stood at 155 days as on March 31, 2024 compared to 125 days as on March 31,2023. Acuite believes that working capital requirements are expected to remain intensive due to the elongated collection mechanism policy of the company over the medium term.

Risks associated with contingent liabilities

As of March 2024, AIPL reported contingent liabilities of Rs. 626.62 crore in income tax demands and Rs. 225.23 crore in indirect tax demands related to multiple assessment years between 2011 and 2018 based on transfer pricing. The company had received a favourable order in custom matters and value added tax for some of the disputed demands. The company has also received favourable orders for income tax matters at Income Tax Appellate Tribunal (ITAT). Nonetheless, any adverse rulings in these ongoing legal cases can have an adverse impact on AIPL's financial profile.

Rating Sensitivities

Movement in revenues and operating profitability margins
Working capital cycle
Crystallization of contingent liabilities

Liquidity Position

Adequate

The liquidity is adequate marked by steady net cash accruals of Rs. 69.29 Cr. as on March 31, 2024 as compared to Rs. 28.92 Cr. as on March 31, 2023. The cash and bank balances stood at Rs. 113.76 Cr. as on March 31,2024 as compared to Rs. 184.18 Cr. as on March 31, 2023. The current ratio stood at 1.07 times as on March 31, 2024 from the last two years. The non fund based utilization is 38.94 percent ended 12 months, September 2024. Acuite believes that going forward the liquidity position of the company will remain adequate in the near to medium term in the absence of any capex plans and large net cash accruals against absence of any debt repayment obligation.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	4996.12	4089.84
PAT	Rs. Cr.	68.09	27.93
PAT Margin	(%)	1.36	0.68
Total Debt/Tangible Net Worth	Times	0.04	0.00
PBDIT/Interest	Times	23.40	21.72

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History:Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Yes Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE A1 Assigned
DBS Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE A1 Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	85.00	Simple	ACUITE A- Stable Assigned
Axis Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	50.00	Simple	ACUITE A- Stable Assigned
Standard Chartered Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A1 Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE A- Stable Assigned
Australia and New Zealand Banking Group Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	70.00	Simple	ACUITE A1 Assigned
CITI Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	176.40	Simple	ACUITE A- Stable Assigned
HSBC	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	50.00	Simple	ACUITE A1 Assigned
Kotak Mahindra Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE A- Stable Assigned
Yes Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE A- Stable Assigned
DBS Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE A- Stable Assigned
Standard Chartered Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	95.00	Simple	ACUITE A- Stable Assigned
Australia and New Zealand Banking Group Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	180.00	Simple	ACUITE A- Stable Assigned
HSBC	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	150.00	Simple	ACUITE A- Stable Assigned

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr. No.	Company name
1	Acer Incorporated Taiwan
2	Acer India Private Limited

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About Acuité Ratings & Research

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