

Press Release

Ace Corporation

October 23, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.9.50 Cr.
Long Term Rating	ACUITE B / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has Reaffirmed long term rating of '**ACUITE B**' (**read as ACUITE B**) and the short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs.9.50 crore bank facilities of Ace Corporation. The outlook is '**Stable**'.

Ace Corporation (AC), a Mumbai-based partnership firm was established in 1983, by Mr. Kirti Kumar Shah. The firm undertakes civil construction work - construction of roads, parks and buildings for BMC (Brihanmumbai Municipal Corporation) through tender bidding. AC has also started bidding for projects of Maharashtra Housing and Area Development Authority (MHADA).

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of AC to arrive at this rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced promoter**

AC was established in 1983 as a partnership firm and has been carrying out civil construction work for BMC. Mr. Kirti Kumar Shah, Managing Partner has more than two decades of experience in the civil construction industry.

- **Moderate order book position**

AC has moderate order book position marked by current orders in hand of Rs. 12.00 crore from BMC as on October 2018 to be executed by March 2019. For April to June 2018, the firm booked revenue to the tune of Rs. 3.00 crore.

- **Average financial risk profile**

AC has average financial risk profile with low net worth of Rs. 3.95 crore as on 31 March, 2018 (Provisional) compared to Rs.3.58 crore as on 31 March, 2017. The gearing of the firm stood at 0.97 times as on 31 March, 2018 (Provisional) compared to 1.38 times as on 31 March, 2017. The total debt of Rs. 3.83 crore as on 31 March, 2018 comprises working capital funds of Rs. 1.49 crore with the balance being unsecured loans from promoters.

Weaknesses

- **Moderate scale of operations due to tender based nature of business**

The operations are at a moderate level despite the firm being in the construction business from the last 34 years. The firm registered revenue of Rs. 14.11 crore for FY2017-18 (Provisional) compared to Rs. 10.27 crore for FY2016-17. Being a civil contractor, the revenue of AC depends on the number of successful bids and the tenders released in the financial year.

- **Competitive and fragmented industry**

The civil construction sector is marked by the presence of several mid to big sized players. The firm faces intense competition from other players. Risk becomes more pronounced as tenders are based on the minimum amount of bidding of contracts. However, the risk is mitigated to an extent

as the management has been operating in the industry for 34 years.

• Working capital intensive operations, stretched liquidity

The operations are working capital intensive. The Gross Current Asset (GCA) stood at 181 days for FY2017-18 due to high debtors of 75 days compared to GCA days of 321 days for FY2016-17 with debtors of 122 days.

Outlook: Stable

Acuité believes that the outlook on AC's facilities will remain stable over the medium term on account of its promoter's extensive experience, moderate financial risk profile and established operational track record. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	14.11	10.27	13.39
EBITDA	Rs. Cr.	0.73	0.61	0.56
PAT	Rs. Cr.	0.47	0.54	0.51
EBITDA Margin	(%)	5.17	5.91	4.20
PAT Margin	(%)	3.36	5.27	3.81
ROCE	(%)	11.53	11.24	10.80
Total Debt/Tangible Net Worth	Times	0.97	1.38	1.53
PBDIT/Interest	Times	2.09	2.40	2.11
Total Debt/PBDIT	Times	3.93	5.03	5.00
Gross Current Assets (Days)	Days	181	321	279

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure entities- <https://www.acuite.in/view-rating-criteria-14.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
04-Sep-2018	Cash Credit	Long Term	1.50	ACUITE B/ Stable (Assigned)
	Proposed Cash Credit	Long Term	0.50	ACUITE B/ Stable (Assigned)
	Bank Guarantee	Short Term	4.50	ACUITE A4 (Assigned)
	Proposed Bank Guarantee	Short Term	1.50	ACUITE A4 (Assigned)
	Proposed Short Term Loan	Short Term	1.50	ACUITE A4 (Assigned)

***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	2.00 (enhanced from 1.50)	ACUITE B / Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE A4 (Reaffirmed)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4 (Reaffirmed)
Proposed Short Term Loan	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4 (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-67141111 aditya.gupta@acuite.in Sanket Kotkar Analyst - Rating Operations Tel: 02249294073 sanket.kotkar@acuiteratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.