

Press Release

Ace Corporation

October 09, 2020



Rating Withdrawn

| | |
|-------------------------------------|--------------------------|
| Total Bank Facilities Rated* | Rs. 11.00 crore |
| Long Term Rating | ACUITE B (Withdrawn) |
| Short Term Rating | ACUITE A4 (Withdrawn) |

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long-term rating of '**ACUITE B (read as ACUITE B)**' and the short term rating of '**ACUITE A4 (read as ACUITE A four)**' on the Rs. 11.00 crore bank facilities of Ace Corporation (AC).

The rating is being withdrawn on account of request received from the company and NOC received from the banker and based on confirmations received as per Acuité's policy.

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 (Brihammumbai Municipal Corporation) through tender bidding. AC has also started bidding for projects of Maharashtra Housing and Area Development Authority (MHADA) and Mumbai Metropolitan Region Development Authority (MMRDA). The firm is a class 1 contractor registered with BMC.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Ace Corporation (AC) to arrive at a rating.

Key Rating Drivers

Strengths

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

AC was established in 1983 as a partnership firm and had been carrying out civil construction work for BMC. Mr. Kirti Kumar Shah, the Managing Partner, has more than two decades of experience in the civil construction industry. The promoter is ably supported by his son, Mr. Nilesh Shah. Mr. Nilesh looks after the day-to-day operations of the firm.

- **Healthy order book position**

AC has a healthy order book position marked by current orders in hand of Rs. 64.00 crore from BMC as on October 2020 to be executed by June 2021. For April to September 2020, the firm booked revenue to the tune of Rs. 6.00 crore

Weaknesses

- **Below average financial risk profile**

AC's financial risk profile has declined on account of a decline in low net worth. It stood at Rs. 2.23 Crore as on March 31, 2020 (Provisional) against Rs. 2.64 crore as on March 31, 2019. The gearing increased to 2.11 times as on March 31, 2020 (Provisional) from 1.65 times as on March 31, 2019. The interest coverage ratio stood at 2.25 times in FY2020 (Provisional) as against 1.46 times in FY2019. The net cash accruals stood at Rs. 0.59 crore in FY2020 (Provisional).

- **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 36 years.

Liquidity Position: Adequate

The firm has adequate liquidity, marked by adequate net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs. 0.59 crore for FY2020 (Provisional) against no maturing debt obligations for the same period. The firm maintains unencumbered cash and bank balances of Rs. 0.84 crore as on 31 March, 2020 (Provisional). The current ratio stood low at 0.91 times as on 31 March, 2020 (Provisional). Acuite believes that the liquidity of the firm is likely to remain adequate over the medium term on account of adequate cash accrual and no major repayments over the medium term.

Material Covenants

None

Rating Sensitivities

Not Applicable

About the Rated Entity - Key Financials

| | Unit | FY20 (Provisional) | FY19 (Actual) |
|-------------------------------|---------|--------------------|---------------|
| Operating Income | Rs. Cr. | 15.72 | 7.16 |
| PAT | Rs. Cr. | 0.56 | 0.23 |
| PAT Margin | (%) | 3.58 | 3.21 |
| Total Debt/Tangible Net Worth | Times | 2.11 | 1.65 |
| PBDIT/Interest | Times | 2.25 | 1.46 |

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

Not Applicable

Any other information

None

Applicable Criteria

- Application of Financial Ratios and Adjustments- <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities- <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-55.htm>

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|------------|------------------|-------------------------------|
| 16-Oct-2019 | Cash Credit | Long Term | 2.00 | ACUITE B/ Stable (Reaffirmed) |
| | Bank Guarantee | Short Term | 7.00 | ACUITE A4 (Reaffirmed) |
| | Proposed Bank Guarantee | Short Term | 2.00 | ACUITE A4 (Reaffirmed) |
| 23-Oct-2018 | Cash Credit | Long Term | 2.00 | ACUITE B/ Stable (Reaffirmed) |
| | Bank Guarantee | Short Term | 4.50 | ACUITE A4 (Reaffirmed) |
| | Proposed Bank Guarantee | Short Term | 1.50 | ACUITE A4 (Reaffirmed) |

| | | | | |
|--|--------------------------|------------|------|------------------------|
| | Proposed Short Term Loan | Short Term | 1.50 | ACUITE A4 (Reaffirmed) |
|--|--------------------------|------------|------|------------------------|

***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 | ACUITE B (Withdrawn) |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 7.00 | ACUITE A4 (Withdrawn) |
| Proposed Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 2.00 | ACUITE A4 (Withdrawn) |

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About Acuité Ratings & Research:

Acuité Ratings & Research 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.

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