

Press Release

Acme Excellent Management Private Limited

June 03, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 13.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short term rating of '**ACUITE A3+**' (**read as ACUITE A three plus**) to the Rs. 13.00 crore bank facilities of Acme Excellent Management Private Limited (AEPL). The outlook is '**Stable**'.

New Delhi based, AEPL is engaged in providing facility management services such as cleaning, housekeeping, security, nursing orderly service, landscaping and gardening, among others to government and semi-government entities. The company was incorporated in 2012 by Mr. Surender Singh Jeena and Mr. Ramesh Jeena.

Analytical Approach

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

Key Rating Drivers:

Strengths

- **Established market position and experienced promoters:**

Prior to incorporating AEPL, Mr. Surender Singh Jeena and Mr. Ramesh Jeena were engaged in facility management services through a proprietorship concern 'Acme Enterprises' since 1990. In the past two decades, the company has established diversified customer and service portfolio which has helped the company establish its market position in the facility management service industry. Further, the company has been able to maintain long standing relationship of more than a decade with its major customers consisting of leading corporate and government bodies

- **Healthy financial risk profile albeit on a modest net worth base:**

AEPL has a healthy financial risk profile marked by tangible net worth of Rs. 13.38 crore as on 31 March, 2019 (Provisional) as against Rs. 8.89 crore as on 31 March, 2018. The gearing stood low at 0.43 times as on 31 March, 2019 (Provisional) as against 0.37 times as on 31 March, 2018. The debt of Rs. 5.77 crore consists of term loans of Rs. 1.64 crore, working capital borrowings of Rs. 3.60 crore and unsecured loans from directors of Rs. 0.54 crore as on 31 March 2019 (Provisional). Interest Coverage Ratio (ICR) stood at 6.83 times for FY 2019 (Provisional) as against 4.35 times in FY2018. Debt Service Coverage Ratio (DSCR) stood at 4.86 times for FY 2019 (Provisional) as against 3.11 times in FY2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.51 times as on 31 March, 2019 (Provisional). Net Cash Accruals/Total Debt (NCA/TD) stood at 0.86 times as on 31 March, 2019 (Provisional) as against 0.88 times as on 31 March, 2018.

Going forward, Acuité expects the financial risk profile to improve marginally in the absence of major debt funded capex plans.

- **Prudent working capital management**

AEPL's working capital is efficiently managed as reflected in Gross Current Asset (GCA) of 74 days in FY2019 (Provisional) as against 68 days in FY2018. The GCA days are mainly dominated by debtors of 68 days in FY2019(Provisional) as compared to 63 days in FY2018. The average cash credit utilisation for the past six months stood at ~76 percent.

Acuité believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Weaknesses

- **Tender based operations**

AEPL's nature of business is tender based. The company deals with government organisations and bids for contracts. Thereby growth in revenue and renewal of contracts depend on the ability to bid successfully, in a competitive environment. Furthermore, a tender-based business model restricts pricing power and hence profitability. This is compounded by intense competition that the company faces from large and small players. However, the promoters' extensive experience and long term relationship helps to partially mitigate this risk.

Liquidity Position:

The company has healthy liquidity marked by net cash accruals of Rs. 4.95 – 1.39 crore between FY2019-16 as against debt obligations of below Rs. 0.15 crore during the same period. The cash accruals are expected to improve to Rs. 9.00 – 6.00 crore over the near to medium term, while debt obligations are expected to remain below Rs. 0.15 crore during the same period. Further, AEPL's bank limit utilisations remained modest at 76.50 percent over the past six months ending March, 2019. The current ratio remained modest at 1.35 for FY2019 (provisional). Acuité believes the liquidity of the company will remain healthy over the near to medium term on account of healthy net cash accruals and low debt obligations.

Outlook: Stable

Acuité believes that AEMPL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management and established track record of operations. The outlook may be revised to 'Positive' in case the company 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 revenues or profit margins, or in case of deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	101.48	80.83	55.81
EBITDA	Rs. Cr.	7.39	4.91	3.80
PAT	Rs. Cr.	4.49	2.33	1.45
EBITDA Margin	(%)	7.29	6.07	6.80
PAT Margin	(%)	4.42	2.88	2.60
ROCE	(%)	46.98	35.52	27.26
Total Debt/Tangible Net Worth	Times	0.43	0.37	1.16
PBDIT/Interest	Times	6.83	4.35	3.46
Total Debt/PBDIT	Times	0.74	0.62	1.93
Gross Current Assets (Days)	Days	74	68	78

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>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.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
Overdraft	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BBB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A3+

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About Acuité Ratings & Research:

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