

Press Release

Acme Excellent Management Private Limited

August 03, 2020



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.31.42 Cr. (Enhanced from Rs. 13.00 crore)
Long Term Rating	ACUITE BBB-/ Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A3+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB-**'(read as ACUITE triple B minus) and the short-term rating of '**ACUITE A3+**'(read as ACUITE A three plus) on the Rs.31.42 crore bank facilities of Acme Excellent Management Private Limited (AEMPL). The outlook is '**Stable**'.

Delhi based, Acme Excellent Management Pvt. Ltd. (AEMPL) was incorporated in 2012. The company is promoted by Mr. Surender Singh Jena and Mr. Ramesh Kumar Jena. It is engaged in providing facility management services such as cleaning and sanitation, housekeeping, security and surveillance etc. The company has reputed clientele and caters to companies such as Delhi Metro Rail Corporation Limited, Directorate of Education in Delhi, Delhi Urban Shelter Housing Board, to name a few. AEMPL acquires business through tenders, the duration of which is a year for government agencies.

Analytical Approach

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

Key Rating Drivers

Strengths

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

AEMPL was incorporated in 2012, prior to which the promoters of the company were associated with a proprietorship firm; Acme Enterprises, engaged in facility management services. The directors of the company are Mr. Surender Singh Jena and Mr. Ramesh Kumar Jena who have amassed about three decades of experience in the aforementioned line of business. The established track record of operations and experience of management has helped the company to maintain a diversified and reputed client base.

Acuité believes that AEMPL will continue to benefit through the experienced management and established track record of operations.

- **Moderate financial risk profile**

The company has moderate financial risk profile marked by low gearing and above-average debt protection metrics. The net worth stood at Rs.12.37 crore as on 31 March, 2019 as against Rs.8.89 crore as on 31 March 2018 due to healthy accretion to reserves. The company has followed a conservative financial policy in the past, the same is reflected through its gearing levels of 0.37 times as on March 31, 2018. The gearing increased marginally to 0.51 times as on March 31, 2019 on account of increase in short term debt. The profitability levels, coupled with moderate debt levels, have led to comfortable debt protection measures. The interest coverage ratio stood at 5.36 times for FY2019 as compared to 4.35 times for FY2018. Total outside liabilities to total net worth (TOL/TNW) stood at 1.83 times as on 31 March, 2019 as against 1.81 times as on 31 March, 2018. The NCA/TD ratio for FY2019 was moderate at 0.63 times.

Acuité believes that financial risk profile of the company is likely to remain moderate over the medium term, on account of low gearing and above-average debt protection metrics.

- **Working capital efficient nature of operations**

The company's operations are working capital efficient in nature as reflected in Gross Current Assets (GCA) of 77 days in FY2019 as against 63 days in FY2018. GCA days remained low due to debtors collection period of 77 days as on 31 March 2019 as compared to 68 days as on 31 March 2018.

Acuité believes that the working capital requirements will continue to remain efficient over the medium term on account of the low debtor collection period.

Weaknesses

- **Tender based nature of operations**

The company's operations are tender based. The company deals with government entities and bids for contracts. The tender based business model may restrict pricing power and profitability. However, the risk is mitigated due to the long track record of operations and experienced management.

Liquidity position: Strong

The company has strong liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.3.94 crore for FY2019 with debt repayment obligation of Rs.0.11 crore for the same period. The cash accruals of the group are estimated to remain in the range of around Rs.4.70 crore to Rs.5.58 crore during 2020-22 against debt repayment obligations in the estimated range of around Rs.0.11 crore per year in the same period. The company's working capital operations are efficient, marked by 77 Gross Current Asset (GCA) days for FY2019. The average bank limit utilization for the past six months ended May 2020 stood at ~63.73 percent. The company maintains unencumbered cash and bank balances of Rs.0.11 crore as on 31 March 2019. The current ratio stood at 1.21 times as on 31 March 2019. Acuité believes that the liquidity of the company is likely to remain strong on account of healthy cash accrual against debt repayments over the medium term.

Rating Sensitivities:

- Scaling up of operations
- Stretch in working capital cycle leading to increased reliance on working capital borrowings

Material Covenants

None

Outlook: Stable

Acuité believes that AEMPL will maintain a 'Stable' outlook over the medium term backed by its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in a working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19(Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	102.89	80.83
PAT	Rs. Cr.	3.48	2.33
PAT Margin	(%)	3.38	2.88
Total Debt/Tangible Net Worth	Times	0.51	0.37
PBDIT/Interest	Times	5.36	4.35

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

Not Applicable

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of the Instrument/ Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
03-Jun- 2019	Overdraft	Long Term	6.00	ACUITE BBB- /Stable (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	7.00	ACUITE A3+ (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
Overdraft	Not Applicable	Not Applicable	Not Applicable	14.50 (Enhanced from Rs. 6.00 crore)	ACUITE BBB- /Stable (Reaffirmed)
Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00 (Enhanced from Rs.7.00 crore)	ACUITE A3+ (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.92	ACUITE BBB- /Stable (Assigned)

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About Acuité Ratings & Research:

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