

Press Release

ACME Excellent Management Private Limited

September 16, 2021



Rating Reaffirmed, Assigned

Total Bank Facilities Rated*	Rs. 31.42 crore
Long Term Rating	ACUITE BBB-/ Stable (Reaffirmed)
Short Term Rating	ACUITE A3+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the 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. 31.42 crore bank facilities of ACME Excellent Management Private Limited (AEMPL). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation reflects moderate financial risk profile marked by moderate net worth, healthy gearing and debt protection metric. Also the rating factors in comfort derived by experienced management, established track record of operations and efficient working capital operations. On the contrary, the rating is constrained by tender based operations of AEMPL.

About the company

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

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

Key Rating Drivers

Strengths

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

- Moderate financial risk profile**

The financial risk profile of company stood moderate marked by moderate net worth, comfortable gearing and healthy coverage indicators. The tangible net worth of AEMPL stood moderate at around Rs. 20.67 crores as on 31 March, 2021 (Provisional) as against Rs. 16.30 crores as on 31 March, 2020 on the back of healthy accretion to reserves, which in turn is a result of healthy profitability levels maintained by the company over the years. The company has followed a conservative financial policy in the past, which is reflected by current gearing (debt-to-equity) stands at 0.76 times as on 31 March, 2021 (Provisional) and 0.81 times in the previous year. The promoters have infused capital in form of unsecured loans in the tune of Rs. 1.49 Cr as on 31st March 2021. Which has further improved the adjusted gearing level from 0.79 times in FY2020 to 0.69 times as on 31st March 2021. The total outside liabilities to total net worth (TOL/TNW) ratio stands at 1.73 times as on 31 March,

2021 (Provisional) and 2.32 times as on 31 March, 2020. The total debt of Rs. 15.76 crore as on 31 March, 2021 (Provisional), consists of term loans of Rs. 5.03 crores, working capital borrowings of Rs. 9.24 crores and Rs. 1.49 crores of unsecured loans from directors and promoters. The Debt protection metrics of the company have remained healthy marked by the interest coverage ratio 4.21 times as on 31st March 2021 (Provisional) and the debt service coverage ratio of 3.20 times as on 31st March 2021 (Provisional). The net cash accruals to total debt (NCA/TD) stood comfortable at 0.31 times for FY2021 (Provisional). The company reported healthy net cash accruals (NCA) of ~Rs. 4.85 crore in FY2021 and Rs. 4.33 crores in FY2020.

Acuite believes that the company will be able to sustain its existing financial risk profile in near to medium term backed by established presence in the Industry, extensive experience of promoters.

• **Efficient working capital management**

AEPL's working capital is efficiently managed as reflected in Gross Current Asset (GCA) of 99 days in FY2021 (Provisional) as against 123 days in FY2019. The GCA days are mainly dominated by debtors of 74 days in FY2021 (Provisional) as compared to 116 days in FY2020. The average cash credit utilization for the past six months stood at 88.52 percent. Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

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.

Rating Sensitivity

- Sustained growth in operating performance with improvement in profitability, sustenance of the comfortable financial risk profile
- elongation of the working capital cycle leading to deterioration in liquidity position.

Liquidity position: Adequate

ACME Excellent Management has adequate liquidity as evident from net cash accruals of 4.85 crore in FY2021 (Prov.) as against debt obligation of ~0.82 Cr during the same period. However, moderate net worth has made the company dependent on short term borrowings for working capital management. The fund based bank limit utilization remains high at an average of 88.52% for the last six months ended June 2021.

Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals as against no repayments over the medium term

Outlook: Stable

Acuite 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	FY21 (Prov.)	FY20 (Actual)
Operating Income	Rs. Cr.	118.38	109.94
PAT	Rs. Cr.	4.37	3.94
PAT Margin	(%)	3.69	3.58
Total Debt/Tangible Net Worth	Times	0.76	0.81
PBDIT/Interest	Times	4.21	5.00

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

None

Any other information

None

Material Covenant

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.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 Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
03-Aug-2020	Overdraft	Long term	14.50	ACUITE BBB-/ Stable (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A3+ (Reaffirmed)
	Proposed Bank Facility	Long term	1.92	ACUITE BBB-/ Stable (Assigned)
03-Jun-2019	Overdraft	Long term	6.00	ACUITE BBB-/ Stable (Assigned)
	Bank Guarantee	Short Term	7.00	ACUITE A3+ (Assigned)

*Annexure – Details of instruments rated

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Canara Bank	Bank Overdraft	Not Applicable	Not Applicable	Not Applicable	14.50	ACUITE BBB-/ Stable (Reaffirmed)
Canara Bank	Term Loan	Not Available	Not Available	Not Available	1.19	ACUITE BBB-/ Stable (Assigned)
Proposed Bank Facility		Not Applicable	Not Applicable	Not Applicable	0.73	ACUITE BBB-/ Stable (Reaffirmed)
Canara Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3+ (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President Tel: 022-49294041 aditya.gupta@acuite.in Rohan Gambhir Rating Analyst - Rating Operations Tel: 011-49731313 rohan.gambhir@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuite Ratings & Research:

Acuite 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 8,383 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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