

## Press Release

Acme Excellent Management Private Limited

December 13, 2022



## Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	16.42	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative	-
Bank Loan Ratings	15.00	-	ACUITE A3+   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	31.42	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## 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 revised from 'Stable' to '**Negative**'.

### Rationale for rating reaffirmation and outlook revision

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. On the contrary, the rating is constrained by tender based operations of AEMPL, Stretched liquidity, higher bank limit utilization, Intensive Working capital operations and higher debtor days.

### About the Company

Delhi based, Acme Excellent Management Pvt. Ltd. (AEMPL) was incorporated in 2012. The company 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, Lucknow Metro, 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 director of the company Mr. Mahesh Jena who have 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.

### **Financial Risk Profile**

The company has moderate financial risk profile marked by moderate net worth and moderate debt protection metrics. The company's net worth stood at Rs. 25.23 Cr as on 31st March 2022 as against Rs. 20.64 Cr as on 31st March 2021. There is minuscule improvement in gearing levels (debt-to-equity) as evident from 0.73 as on March 31, 2021 to 0.69 times as on March 31, 2022. However, interest coverage ratio stood at 4.02 times in FY2022 and 3.54 times in FY2021. However, there has been fall in debt service coverage ratio coming from 2.76 times in FY2021 to 1.91 times in FY22. Total outside liabilities to total net worth (TOL/TNW) has been increased in FY 22 and stood at 1.73 times as against 1.67 times in FY 21.

### **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.

#### **Intensive working capital management**

The company's working capital is intensive in nature as evident from gross current assets (GCA) of 129 days for FY2022 as against 93 days for FY2021. The GCA days are mainly dominated by debtors' days of 115 days as on 31 March 2022 which has increased from 73 days in previous year. Current Ratio stood low at 1.01 times as on 31 March 2021.

### **Rating Sensitivities**

Company's ability to improve the operating performance with profitability,  
Company's ability to improve the financial risk profile  
elongation of the working capital cycle leading to deterioration in liquidity position

### **Material covenants**

None

### **Liquidity Position**

#### **Stretched**

AEMPL has stretched liquidity as evident from net cash accruals of 5.01 crore in FY2022 as against debt obligation of ~ 1.06 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 ~91% for the last six months ended October 2022. Company has cash and Bank Balance of Rs 0.27 crores as on March 31, 2022. Current Ratio of company stood at 1.01 times as on March 31, 2022.

### **Outlook: Negative**

Acuité believes that AEMPL liquidity position will continue to be stretched in the near term due to intensive working capital cycle resulting into high bank limit utilization. The outlook may be revised to 'Stable' in case the company registers higher-than expected growth in revenues and profitability resulting into significant improvement in liquidity profile of the company and improved working capital operations. The rating may be downgraded if the company's Operating performance and profitability declines further resulting into further stretch in liquidity and further dip in working capital operations

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	101.39	122.25
PAT	Rs. Cr.	4.56	4.37
PAT Margin	(%)	4.50	3.57
Total Debt/Tangible Net Worth	Times	0.69	0.73
PBDIT/Interest	Times	4.02	3.54

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

CRISIL vide its press release dated 13 July 2022, has mentioned the rating of ACME EXCELLENT MANAGEMENT PRIVATE LIMITED to '[CRISIL]B+/Stable/A4' Issuer Not Cooperating as on 13 July 2022.

### Any other information

None

### Applicable Criteria

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

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
16 Sep 2021	Proposed Bank Facility	Long Term	0.73	ACUITE BBB-   Stable (Reaffirmed)
	Secured Overdraft	Long Term	14.50	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	1.19	ACUITE BBB-   Stable (Assigned)
	Bank Guarantee	Short Term	15.00	ACUITE A3+ (Reaffirmed)
03 Aug 2020	Bank Guarantee	Short Term	15.00	ACUITE A3+ (Reaffirmed)
	Proposed Bank Facility	Long Term	1.92	ACUITE BBB-   Stable (Assigned)
	Secured Overdraft	Long Term	14.50	ACUITE BBB-   Stable (Reaffirmed)
03 Jun 2019	Secured Overdraft	Long Term	6.00	ACUITE BBB-   Stable (Assigned)
	Bank Guarantee	Short Term	7.00	ACUITE A3+ (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A3+   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.73	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative
Canara Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	14.50	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.19	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Himanshu . Senior Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:himanshu.mehta@acuite.in">himanshu.mehta@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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