



**Press Release**  
**Acme Excellent Management Private Limited**  
**March 12, 2024**  
**Rating Downgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	16.42	ACUITE BB+   Stable   Downgraded   Negative to Stable	-
Bank Loan Ratings	15.00	-	ACUITE A4+   Downgraded
<b>Total Outstanding Quantum (Rs. Cr)</b>	31.42	-	-

**Rating Rationale**

Acuite has downgraded the long-term rating from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to '**Acuite BB+**' (read as **Acuite Double B Plus**) and short-term rating from '**ACUITE A3+**' (read as **ACUITE A three plus**) to '**Acuite A4+**' (read as **ACUITE A four plus**) on Rs. 31.42 crore bank facilities of ACME Excellent Management Private Limited (AEMPL). The outlook is revised from '**Negative**' to '**Stable**'.

**Rationale for Rating Downgrade and Outlook revision**

Rating action takes into account the dip in Operating income in FY 23, High Bank Limit Utilization, delayed debtor realization. Company reported dip in operating income which went down to Rs 84.26 Cr. in FY2023 as against Rs. 101.39 Cr. in FY2022. Operating income of company contracted by ~17% in comparison to previous year. Bank limit utilization remains high at an average of ~97% for the last five months ended Dec 2023. Further company has debtors of Rs 7.85 crore which is more than 6 months old.

Acuite believes that the Company's ability to grow its scale of operations and profitability while maintaining a healthy capital structure with improvement in liquidity resulting lower reliance on working capital limits and realization of debtors remains a key rating indicator.

**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. Company is managed by Mr. Mahesh Jeena and Mr. Naveen Jeena who have decades of experience in the industry.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

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

**Key Rating Drivers**



## **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. 29.77 Cr. as on 31st March 2023 as against Rs. 25.23 Cr. as on 31st March 2022. There is minuscule improvement in gearing levels (debt-to-equity) as evident from 0.69 as on March 31, 2022 to 0.66 times as on March 31, 2023. Interest coverage ratio went down and stood at 3.32 times in FY2023 as against 4.03 times in FY2022. Debt service coverage ratio stood at 2 times in FY2023 as against 1.91 times in FY22. Total outside liabilities to total net worth (TOL/TNW) improved and stood at 1.13 times as against 1.73 times in FY 22. Debt to EBITDA stood at 2.07 times in FY 23 as against 2 times in FY 22.

## **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.

## **Business Risk Profile**

The company reported dip in operating income which went down to Rs 84.26 Cr. in FY2023 as against Rs. 101.39 Cr. in FY2022. Operating income of company contracted by ~17% in comparison to previous year. Operating income was lower in FY 23 on account of completion of orders in FY 23. Operating Margin of the company stood at 10.32 percent in FY 23 as against 8.50 percent in FY 22 likewise Net Profit margin stood at 5.39 % in FY2023 from 4.50% in FY2022. Company has achieved operating income of Rs~66 crore in 9M FY 24.

## **Intensive working capital management**

The company's working capital is intensive in nature as evident from gross current assets (GCA) of 145 days for FY2023 as against 129 days for FY2022. The GCA days are mainly dominated by debtors' days of 138 days as on 31 March 2023 which has increased from 115 days in previous year. Current Ratio stood at 1.29 times as on 31 March 2023.

## **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.

## **Liquidity Position**

### **Adequate**

Company has adequate liquidity as evident from net cash accruals of 5.06 crore in FY2023 as against debt obligation of ~ 1 Cr during the same period (~26 percent of debtors are more than 6 months old). 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 ~97% for the last five months ended Dec 2023. Company has cash and Bank Balance of Rs 0.09 crores as on March 31, 2023. Current Ratio of company stood at 1.29 times as on March 31, 2023.

## **Outlook: Stable**

Acuité believes that AEMPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' if the company demonstrates substantial and sustained growth in its revenues

from the current levels while maintaining its margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than expected growth in revenues and profitability or deterioration in its working capital management or debt funded capex leading to deterioration in its financial risk profile and liquidity.

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	84.26	101.39
PAT	Rs. Cr.	4.54	4.56
PAT Margin	(%)	5.39	4.50
Total Debt/Tangible Net Worth	Times	0.66	0.69
PBDIT/Interest	Times	3.32	4.03

### 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>
- 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
13 Dec 2022	Secured Overdraft	Long Term	14.50	ACUITE BBB-   Negative (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.73	ACUITE BBB-   Negative (Reaffirmed)
	Term Loan	Long Term	1.19	ACUITE BBB-   Negative (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	15.00	ACUITE A3+ (Reaffirmed)
16 Sep 2021	Term Loan	Long Term	1.19	ACUITE BBB-   Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.73	ACUITE BBB-   Stable (Reaffirmed)
	Secured Overdraft	Long Term	14.50	ACUITE BBB-   Stable (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	15.00	ACUITE A3+ (Reaffirmed)

## 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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A4+   Downgraded ( from ACUITE A3+ )
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.73	ACUITE BB+   Stable   Downgraded   Negative to Stable ( from ACUITE BBB- )
Canara Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	14.50	ACUITE BB+   Stable   Downgraded   Negative to Stable ( from ACUITE BBB- )
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	27 Mar 2027	Simple	1.19	ACUITE BB+   Stable   Downgraded   Negative to Stable ( from ACUITE BBB- )

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### 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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