



Press Release

Acme Commodities Private Limited

December 30, 2020

Rating

| Facilities | Amount (Rs. crore) | Rating | Rating Action |
|------------------------------|---|---|----------------------|
| Long term Bank Facilities | 36.28 | IVR BB+/ Stable Outlook (IVR Double B Plus with Stable Outlook) | Assigned |
| Total | 36.28 (Thirty-six crore and twenty- eight lakhs) | | |

**Rs. 5.00 crores of facilities are on proposed basis*

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Acme Commodities Private Limited derives comfort from experienced promoters leading to well established relationship with customers and suppliers, favourable demand of commodity led by its immunity boosting property and average financial risk profile. These rating strengths are partially offset by steep decline in revenue, margins continue to remain vulnerable to RCN prices, exposure to intense competition in domestic and export market and vulnerability to forex exchange rate.

Key Rating Sensitivities

Upward factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals which is significantly higher than Infomerics expectation could lead to a positive rating action.

Downward factors

- Dip in operating income and/or profitability impacting the debt coverage indicators or liquidity, subdued industry scenario could lead to a negative rating action.



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- Variation of more than 5% in key financial figures of audited financial statements from reported figures of provisional financial statements could trigger the negative rating action.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters leading to well established relationship with customers and suppliers

Promoters holds the experience of decades in the health nut industry. Over the decades company has developed well established relationship with customers and suppliers in the industry. Over the years the company has been able to make global presence with the client presence in various countries namely Middle East countries namely Oman, Dubai Qatar and other countries.

Favorable demand of commodity led by its immunity boosting property

Market is expected to record high demand for immunity boosters to unprecedented levels to minimize the risk of contagion spreading rapidly across the world. Cashew being rich in fiber protein and other nutrients, helps in boosting the immunity, is expected to register high growth in demand.

Average financial risk profile

The financial risk profile of the company remained average marked by its moderate gearing ratio and adequate debt protection metrics. The debt profile of the company mainly comprised working capital borrowings due to its working capital-intensive nature of operations. With minimal long-term debt in the capital structure, the overall gearing ratio stood moderate at 1.05x as on March 31, 2020. Further, total indebtedness of the company as reflected by TOL/TNW stood high at 2.05x as on March 31, 2020 (improved from 2.40x as on March 31, 2019). However, the debt protection metrics of the company remained satisfactory with an interest coverage at 2.04x and DSCR at 1.57 times.

Key Weaknesses



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Steep decline in revenue

ACPL has reported around ~35 percent decline in its operating income as same stood at Rs. 161.57 crore for FY20 (Provisional) as against Rs. 246.68 crore in FY2019. Fall is primarily led by the weak demand of commodity leading to dip in market prices globally.

Margins continue to remain vulnerable to RCN prices:

The firm imports 100% of the raw cashew nuts (RCN) from African countries. Prices of cashew kernels are highly volatile due to commoditised product. The Indian cashew processing segment, especially the export sector, is under pressure because of high and volatile RCN prices coupled with relatively higher processing costs, resulting in lower profitability.

Exposure to intense competition in domestic and export market

The cashew nut processing and trading industry in India is characterized by stiff competition amid presence of many organized and unorganized players. Also, this is compounded by high competition due to low value addition limited differentiation in the technology involved in processing cashew nuts.

Vulnerability to forex exchange rate

ACPL import 100% of raw material from overseas with limited exports of around 11.43% of total income. ACPL's import stood at Rs. 140.26 crore in FY20 against exports of Rs. 18.31 crore. ACPL covers forex exposure partially through forward contracts and partially through natural hedging (Using PCFC facility -sublimit of CC facility) to cover the forex risk. Forex exposure reported as on Sep 30, 2020 stood at nil.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate



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The liquidity position of the company is adequate marked by the sufficient gross cash accruals expected to meet the debt obligations. Also, company has reported comfortable operating cycle coupled with moderate current ratio at 42 days and 1.28 times respectively as on March 31, 2020. Average working capital utilization for the last 12 months stood at around 91.25% reflecting minimal cushion to meet incremental requirements.

About the Company

Acme Commodities Private Limited (ACPL) was incorporated in year 2008. Acme commodities is a private limited company promoted by Mrs. K. R. Sangeetha. ACPL is engaged in trading of health nuts (primarily into cashew). Acme commodities is focused on trading of raw cashew nuts having presence in domestic and international market.

Financials (Standalone):

(Rs. crore)

| For the year ended* | 31-03-2019 | 31-03-2020 |
|---------------------------|----------------|----------------|
| | Audited | Audited |
| Total Operating Income | 246.68 | 161.57 |
| EBITDA | 6.10 | 5.21 |
| PAT | 2.57 | 1.42 |
| Total Debt | 26.50 | 23.10 |
| Tangible Net worth | 20.49 | 21.91 |
| EBITDA Margin (%) | 2.47 | 3.22 |
| PAT Margin (%) | 1.04 | 0.88 |
| Overall Gearing Ratio (x) | 1.29 | 1.05 |

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

| Sr. | Name | of | Current Rating (Year 2020-21) | Rating History for the past 3 years |
|-----|------|----|-------------------------------|-------------------------------------|
|-----|------|----|-------------------------------|-------------------------------------|



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| No. | Instrument/Facilities | Type | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2019-20 | Date(s) & Rating(s) assigned in 2018-19 | Date(s) & Rating(s) assigned in 2017-18 |
|-----|-----------------------|-----------|--------------------------------|------------------|---|---|---|
| 1. | Cash Credit | Long Term | 30.00* | IVR BB+ / Stable | - | - | - |
| 2. | Term loan | Long Term | 1.08 | IVR BB+ / Stable | - | - | - |
| 3. | GECL | Long Term | 5.20 | IVR BB+ / Stable | - | - | - |

** Rs. 5.00 crore of facilities are on proposed basis*

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Analyst:

Name: Mr. Ravi Malik
Tel: (011) 24655636
Email: rmalik@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

| Name of Facility | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|---------------------------------------|------------------|------------------|---------------|------------------------------|--------------------------|
| Long Term Bank Facilities-Cash Credit | - | - | - | 30.00* | IVR BB+ / Stable |
| Long Term Bank Facilities-Term loan | - | - | May, 2023 | 1.08 | IVR BB+ / Stable |
| Long Term Bank Facilities-GECL | - | - | October, 2024 | 5.20 | IVR BB+ / Stable |

**Rs. 5.00 crores of facilities are on proposed basis*

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Lender-Acme-Commodities-Private-Limited.pdf>