



Press Release

Acme Commodities Pvt. Ltd.

April 06, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	32.55	IVR BB/Stable (IVR Double B with Stable Outlook)	Revised	Simple
Short Term Bank Facilities	12.40	IVR A4(IVR A Four)	Assigned	Simple
Total	44.95	Rupees Forty four crore and ninety five lakh Only		

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the rating assigned to the bank facilities of Acme Commodities Pvt. Ltd. is on account of significant decline in scale of operations and profitability in FY22 with expectation of further decline in FY23 as well as due to the deterioration in debt coverage indicators in FY22.

The rating assigned to the bank facilities of Acme Commodities Pvt. Ltd. continues to draw comfort from experienced promoters leading to well established relationship with customers and suppliers and high demand of commodity in the market. However, these strengths are constrained by average financial risk profile, decline in scale of operations in FY22 alongwith thin margins, exposure to intense competition in domestic and export market, susceptibility to Agro-climatic risks and profitability remains exposed to volatility in raw material prices and foreign exchange rate fluctuation.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis.



Press Release

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators and/or liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters leading to well established relationship with customers and suppliers**

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

- **High demand of the commodity in market**

The company trades in cashews which are considered to be high in demand taking in account its medicinal use as well as aesthetic use in various cuisines. Cashew being rich in fibre protein and other nutrients, helps in boosting the immunity also, is expected to register high growth in demand.

Key Rating Weaknesses

- **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 overall gearing ratio stood at 1.37x as on March 31, 2022(audited), as compared to 1.59x as on March 31, 2021(audited). Further, total indebtedness of the company as reflected by TOL/TNW deteriorated and stood at 2.81x as on March 31, 2022 (audited), as compared to 1.99x as on March 31, 2021. The debt protection metrics of the company moderated in FY22 (audited) with an interest coverage at 2.29x and DSCR at 1.82x in FY22, as against 2.85x and 2.27x respectively in FY21. Total debt to GCA moderated and stood at 11.31 years in FY22 as against 9.85 years in FY21.

- **Decline in the scale of operations in FY22 with thin margins**



Press Release

The company is moving from a trading-based business to a processing-based business wherein the management majorly focused on processing of cashews in view of increasing their profit margins. This has led to decline by 27.19 % in total operating income to Rs.177.97 crore in FY22 in comparison to Rs.244.45 crore in FY21. Consequently, the profits and cash accruals of the business also declined in FY22. Due to the decline in TOI, EBITDA and PAT also declined, which reduced from Rs.6.25 Crore in FY21 to Rs.5.74 Crore in FY22, and from Rs.1.80 Crore in FY21 to Rs.1.31 Crore in FY22 respectively. EBITDA margin improved from 2.56% in FY21 to 3.22% in FY22. PAT margin remained same and stood at 0.73% in both FY21 and FY22. Gross Cash Accrual of the company declined by 20.69% i.e from Rs.3.72 Crore in FY21 to Rs. 2.95 Crore in FY22. The company has reported total operating income of Rs.128.89 crore in 11MFY23 as against total operating income of Rs.159.02 crore in 11MFY22.

- **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.

- **Susceptibility to Agro-climatic risks:-**

The industry is susceptible to agro-climatic risks as adverse weather conditions can affect the availability of the raw cashew nuts.

- **Profitability remains exposed to volatility in raw material prices and foreign exchange rate fluctuation:-**

ACPL remains exposed to the volatility in prices of key raw materials, raw cashew nuts, particularly to the extent of inventory held. Moreover, almost the entire raw materials required by the company is imported. The company does not have a formal hedging policy, which exposes the company's profitability to adverse movement in foreign exchange rates. The company's ability to pass on the increased raw material cost to the customers, will remain a key determinant of the company's profitability, going forward.



Press Release

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

Liquidity – Adequate

The liquidity position of the company is expected to remain adequate on the expectation of sufficient cushion in its cash accruals vis-à-vis debt repayment obligations. The company had unencumbered cash and bank balances of Rs. 0.03Cr. as on March 31, 2022.

The current ratio stood at 1.28x as on March 31, 2022. The operating cycle was 42 days in FY22, as compared to of 29 days in FY21. The average utilization of fund-based limits for 12 months ending February, 2023 is 98.50%.

About the Company

Acme Commodities Private Limited (ACPL) was incorporated in year 2008. It is a private limited company promoted by Mrs. K. R. Sangeetha. It is engaged in trading and processing of cashew nuts. It was focused on trading of raw cashew nuts having presence in domestic and international market; however, the management has, of late, started focusing on increasing the processing activity.

Financials (Standalone):

For the year ended/As on*	30-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	244.45	177.97
EBITDA	6.25	5.74
PAT	1.80	1.31
Total Debt	36.63	33.39
Tangible Net Worth	23.11	24.42
Ratios		
EBITDA Margin (%)	2.56	3.22
PAT Margin (%)	0.73	0.73
Overall Gearing Ratio (x)	1.59	1.37

*Classification as per infomerics' standards



Press Release

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (Jan 08, 2022)	Date(s) & Rating(s) assigned in 2020-21 (Dec 30, 2020)	Date(s) & Rating(s) assigned in 2019-20
1.	Guarantee Emergency Credit Line	Long Term	5.49	IVR BB/Stable	IVR BB+/Stable	IVR BB+/Stable	--
2.	Vehicle Loan	Long Term	0.06	IVR BB/Stable	IVR BB+/Stable	--	--
2.	Cash Credit	Long Term	25.00	IVR BB/Stable	IVR BB+/Stable	IVR BB+/Stable	--
4.	Temporary Overdraft	Long Term	2.00	IVR BB/Stable	IVR BB+/Stable	--	--
5.	Loan against warehouse receipts	Short Term	2.40	IVR A4	--	--	--
6.	Loan against warehouse receipts	Short Term	10.00	IVR A4	--	--	--

Name and Contact Details of the Rating Analyst:

Name: Yamini Arya	Name: Harsh Raj Sankhla
Tel: (011) 45579024	Tel: (011) 45579024
Email: Yamini.arya@infomerics.com	Email: harshraj.sankhla@infomerics.com

About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India



Press Release

registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



Press Release

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 Facility-Vehicle Loan	-	-	FY2024	0.06	IVR BB/Stable
Long Term Bank Facility-GECL	-	-	FY2024	2.89	IVR BB/Stable
Long Term Bank Facility-GECL	-	-	FY2026	2.60	IVR BB/Stable
Long Term Bank Facility- Cash Credit	-	-	-	25.00	IVR BB/Stable
Long Term Bank Facility- TOD	-	-	-	2.00	IVR BB/Stable
Short Term Bank Facility- Loan against warehouse receipts	-	-	-	2.40	IVR A4
Short Term Bank Facility- Loan against warehouse receipts	-	-	-	10.00	IVR A4

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-ACME-apr23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.