



## Press Release

### Acme Commodities Private Limited

January 08, 2022

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	36.28	IVR BB+/ Stable (IVR double B plus with Stable outlook)	Reaffirmed
Total	36.28 (INR Thirty-six Crores Twenty-eight lakhs only)		

Details of Facilities are in Annexure 1

#### Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Acme Commodities Private Limited (ACPL) draws comfort from the extensive experience of its promoters, high demand of the commodity in market and average financial risk profile. The ratings, however, is constrained by expected decline in the topline in FY2022, 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.

##### Downward Factors

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



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### 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 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.

- **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 low long-term debt in the capital structure, the overall gearing ratio stood moderate at 1.32x as on March 31, 2021 (provisional). Further, total indebtedness of the company as reflected by TOL/TNW stood moderate at 1.91x as on March 31, 2021 (provisional). The debt protection metrics of the company stood comfortable in FY21 (provisional) with an interest coverage at 2.82x and DSCR at 2.30 times in FY21, which improved from FY20 where interest coverage stood at 2.02x and DSCR at 1.64 times.



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### Key Rating Weaknesses

- **Expected decline in the topline in FY2022**

The company is moving from a trading-based business to a processing-based business wherein the management would majorly focus on processing of cashews in view of increasing their profit margins. This is expected to lead to lower revenues in FY22 in comparison to FY21. Consequently, the profits and cash accruals of the business are also likely to decline in FY22. The company have recorded a topline of Rs. 56.86 crores in H1 FY22 in comparison to Rs. 83.15 crores in H1 FY21 registering a decline of ~32 % in view of change in the nature of business operation.

- **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.



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**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Trading Companies

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non- Financial Sector)

### **Liquidity: Adequate**

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 33 days and 1.21 times respectively as on March 31, 2021 (provisional). Average working capital utilization for the last 12 months stood at around 95.60% reflecting minimal cushion to meet incremental requirements.

### **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 is focusing on increasing the processing activity from the current fiscal.

### **Financials (Standalone)**

**(Rs. crore)**

<b>For the year ended* / As On</b>	<b>31-03-2020</b>	<b>31-03-2021</b>
	<b>Audited</b>	<b>Provisional</b>
Total Operating Income	161.54	244.93
EBITDA	5.18	6.50
PAT	1.39	1.82
Total Debt	23.10	30.83
Tangible Net worth	21.81	23.30
EBITDA Margin (%)	3.20	2.65
PAT Margin (%)	0.86	0.74
Overall Gearing Ratio (x)	1.06	1.32
Interest Coverage Ratio (x)	2.02	2.82

*\*Classification as per Infomerics' standards.*



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Status of non-cooperation with previous CRA: NIL

Any other information: NIL

### Rating History for last three years:

Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 December 30, 2020	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Cash Credit	Long Term	25.00	IVR BB+/ Stable	IVR BB+/ Stable	-	-
2.	Term Loan	Long Term	1.08	IVR BB+/ Stable	IVR BB+/ Stable	-	-
3.	Guarantee Emergency Credit Line	Long Term	5.20	IVR BB+/ Stable	IVR BB+/ Stable	-	-
4.	Unallocated Limits	Long Term	5.00	IVR BB+/ Stable	-	-	-

### Name and Contact Details of the Rating Analyst:

Name: Mr. Harsh Raj Tel: (011)- 41410244 Email: <a href="mailto:harsh.raj@infomerics.com">harsh.raj@infomerics.com</a>	Name: Mr. Sandeep Khaitan Tel: (033)-46022266 Email: <a href="mailto:sandeep.khaitan@infomerics.com">sandeep.khaitan@infomerics.com</a>
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### 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 (INR Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	25.00	IVR BB+/ Stable
Term Loan	-	-	October 2023	1.08	IVR BB+/ Stable
Guarantee Emergency Credit Line	-	-	July 2024	5.20	IVR BB+/ Stable
Unallocated Limits	-	-	-	5.00	IVR BB+/ Stable

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Acme-commodities-lenders-jan22.pdf>

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

### Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Cash Credit	Simple
2.	Term Loan	Simple
3.	Guarantee Emergency Credit Line	Simple

**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](http://www.infomerics.com).