

Rating Advisory

March 16, 2021 | Mumbai

ACS Technologies Limited

Advisory as on March 16, 2021

This rating advisory is provided in relation to the rating of ACS Technologies Limited

The key rating sensitivity factors for the rating include:

Upward scenario

- Improvement in working capital cycle, with gross current assets falling to below 150 days
- Sustained increase in revenues and stable operating margin

Downward scenario

- Decline in operating profitability by over 200 basis points leading to lower net cash accrual
- Large debt-funded capital expenditure weakens capital structure

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL Ratings is yet to receive adequate information from ACS Technologies Limited (ACS) to enable it to undertake a rating review. CRISIL Ratings is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL Ratings views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings' criteria available at the following link, https://www.crisil.com/content/dam/crisil/criteria_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf)

If ACS continues to delay the provisioning of information required by CRISIL Ratings to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016, SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 and **SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020** issued by Securities and Exchange Board of India, CRISIL Ratings will carry out the review based on best available information and issue a press release.

About the company:

ACS, incorporated in 1980 in Hyderabad, provides IT supply & maintenance, security surveillance, digital signage and software development services. ACS is promoted and managed by Mr Ashok Buddharaju and Mr Prabhakara Rao Alokam.

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Rating Rationale

March 18, 2020 | Mumbai

ACS Technologies Limited

Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.15 Crore
Long Term Rating	CRISIL BB/Stable (Reaffirmed)
Short Term Rating	CRISIL A4+ (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has reaffirmed its 'CRISIL BB/Stable/CRISIL A4+' ratings on the bank facilities of ACS Technologies Limited (ACS).

The ratings continue to reflect the extensive industry experience and funding support of the company's promoters, its diversified revenue profile and moderate financial risk profile. These strengths are partially offset by the modest scale and working capital intensive operations.

Key Rating Drivers & Detailed Description

Strengths

- * **Extensive experience of the promoters:** Promoters' extensive experience of over two decades, their understanding of the market dynamics, and healthy relationships with suppliers and customers, should continue to support the business. Revenues increased to Rs 50.93 crore in fiscal 2019 from Rs 43.08 crore in fiscal 2018.
- * **Diversified revenue profile:** ACS derives revenues from four segments ' information technology supply and maintenance services, security surveillance, digital signage and software development, which protects it from slowdown in any one segment.
- * **Moderate financial profile:** With fund support from promoters, total outside liabilities to promoter funds ratio is moderate at over 2 times as on March 31, 2019. Debt protection metrics are healthy with interest coverage and net cash accrual to total debt ratios of 3.55 times and 0.26 time, respectively, in fiscal 2019. Going forward, financial profile is expected to remain at similar level over the medium term.

Weaknesses

- * **Modest scale of operations:** Scale of operations is modest, as reflected in revenues of Rs 50.93 crore in fiscal 2019, which has led to low accruals, resulting in average networth of Rs 9.14 crore as on March 31, 2019. However, revenue is expected to increase to Rs 65-70 crore in fiscal 2020. Also, the company's operations are based on tenders, and remains exposed to a highly competitive environment.
- * **Working capital intensive operations:** Operations are working capital intensive as reflected in gross current assets (GCAs) of 110-200 days in the past three fiscals, mainly due to high receivables and moderate inventory. Working capital is partly supported by creditors, leading to moderate bank limit utilisation. Management of working capital with increasing revenues will remain a key monitorable.

Liquidity Adequate

Bank limit utilisation is high and averaged 94.57% in the 12 months through December 2019. Cash accruals, expected at Rs 4.69 crore over the medium term should comfortably cover term debt obligation of Rs 0.5 crore. Current ratio was moderate at 1.23 times on March 31, 2019. Need-based funding support from the promoters in the form of equity and unsecured loans is expected to continue.

Outlook: Stable

CRISIL believes ACS will continue to benefit from the extensive experience of its promoters.

Rating sensitivity factor

Upward Factors

- * Improvement in working capital cycle, with gross current assets falling to below 150 days
- * Sustained increase in revenues and stable operating margin.

Downward Factor

- * Decline in operating profitability by over 200 basis points leading to lower net cash accrual
- * Large debt-funded capital expenditure weakens capital structure.

About the Company

ACS, incorporated in 1980 in Hyderabad, provides IT supply & maintenance, security surveillance, digital signage and software development services. ACS is promoted and managed by Mr Ashok Buddharaju and Mr Prabhakara Rao Alokam.

Key Financial Indicators

As on/for the period ended March 31	Unit	2019	2018
Operating income	Rs crore	50.93	43.08
Reported profit after tax	Rs crore	3.27	1.58
PAT margin	%	6.13	3.50
Adjusted debt/Adjusted networkth	Times	1.59	1.96
Interest coverage	Times	3.55	3.02

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Cr)	Rating assigned with outlook
NA	Long Term Loan	NA	NA	Mar-2022	3	CRISIL BB/Stable
NA	Bank Guarantee	NA	NA	NA	2	CRISIL A4+
NA	Cash Credit	NA	NA	NA	10	CRISIL BB/Stable

Annexure - Rating History for last 3 Years

	Current			2020 (History)		2019		2018		2017		Start of 2017
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	13.00	CRISIL BB/Stable			18-01-19	CRISIL BB/Stable		--		--	--
Non Fund-based Bank Facilities	LT/ST	2.00	CRISIL A4+			18-01-19	CRISIL A4+		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	2	CRISIL A4+	Bank Guarantee	2	CRISIL A4+
Cash Credit	10	CRISIL BB/Stable	Cash Credit	10	CRISIL BB/Stable
Long Term Loan	3	CRISIL BB/Stable	Long Term Loan	3	CRISIL BB/Stable
Total	15	--	Total	15	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Approach to Recognising Default](#)

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