

March 28, 2025

## Acme Safetywears Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term Fund-based – Working Capital Facilities	16.00	16.00	[ICRA]BB+ (Stable), reaffirmed
Long-term Fund-based – Interchangeable#	(24.00)	(24.00)	[ICRA]BB+ (Stable), reaffirmed
Short-term – Non-Fund based – Working Capital Facilities	3.00	3.00	[ICRA]A4+, reaffirmed
Long-term/ Short-term – Unallocated Limits	0.78	0.78	[ICRA]BB+ (Stable)/ [ICRA]A4+, reaffirmed
<b>Total</b>	<b>19.78</b>	<b>19.78</b>	

\*Instrument details are provided in Annexure I

# Sub-limit of the Fund-based – Working Capital Facilities

### Rationale

The reaffirmation of the ratings continues to factor in Acme Safetywears Limited's (ASL) established track record of operations and the extensive experience of the promoters in the safetywear industry, which strengthen its operational profile. The ratings also derive comfort from the company's established and reputed client base, which keeps the counterparty risk low. ICRA notes that repeat orders from reputed customers reflect the acceptable quality of products manufactured as well as traded by ASL. The ratings also favourably consider the financial risk profile of Acme Safetywears Limited (ASL), characterised by a moderate level of profitability and return indicators along with comfortable debt protection metrics, which is likely to sustain in the near-to-medium term.

The ratings, however, continue to remain constrained by the company's modest scale of operations despite a steady top line growth witnessed over the past few years. ICRA expects the company to maintain a steady top line growth in the medium term as well. The stiff competition in the fragmented industry restricts ASL's pricing flexibility and exerts pressure on the margins. The ratings are further impacted by the company's relatively low net worth and the high working capital intensity of operations on the back of considerable receivables and inventory holding, which exert pressure on its liquidity. Nevertheless, a steady improvement has been witnessed in the working capital intensity of operations over the past two years. However, considering its nature of operations, ICRA expects that ASL's working capital intensity of operations is likely to remain at an elevated level, going forward.

The Stable outlook on the long-term rating reflects ICRA's opinion that ASL will continue to benefit from its established track record of operations in the industrial safety products industry along with its conservative capital structure and an adequate liquidity position, which would continue to support its business and credit profiles.

### Key rating drivers and their description

#### Credit strengths

**Long experience of promoters and established track record of operations in the safetywear industry** – ASL has been in operations since 1995 and has an established track record with demonstrated capabilities in the safetywear manufacturing and trading business. The promoters have over two decades of experience in the business through ASL and other Group entities, which strengthen its operational profile.

**Reputed and established customer base reduces counterparty risk** – ASL's reputed clientele, which includes Renault Nissan Automotive (India) Pvt. Ltd., Hyundai MIL Group and L&T Ltd. among others, keeps the counterparty risk low. Repeat orders from reputed customers reflect its acceptable product quality. Increasing safety awareness leads to favourable growth prospects for the industrial safety products both in the domestic and international markets.

**Moderate level of profitability and return indicators** – The operating profit margin (OPM) of ASL remained in the range of 7-8.5% over the past few years. The net profit margin, impacted by high depreciation and finance costs stood at 3.8% in FY2024. The RoCE of ASL stood at a comfortable level of around 17% in FY2024. ICRA expects the OPM of the company to remain within 7-8% in the near-to-medium term. Nevertheless, the overall profits and cash accruals from the business have witnessed a steady growth, primarily on the back of increasing scale of operations, which is likely to continue in the near-to-medium term.

### Credit challenges

**Modest scale of current operations** – Historically, the company's scale of operations has remained at a modest level. Increasing share of revenues from trading activities led to a steady rise in the scale of operations over the past few years, except in FY2021 owing to the pandemic. While revenue from manufacturing operations witnessed a CAGR of around 8% during FY2018-2024, the same from trading activities rose by around 10%. The company has reported a turnover of around Rs. 75 crore in 9M FY2025 compared to around Rs. 66 crore in 9M FY2024. ICRA expects ASL's overall top line to grow by 10-12% in FY2025 and going forward.

**Intense competition in the industry keeps margins under check** – Intense competition from organised and unorganised players in the safetywear market on account of the low value-accretive nature of products and limited bargaining power against large customers limit pricing flexibility, exerting pressure on the margins.

**Relatively lower net worth** – The net worth of the company stood at a relatively lower level of around Rs. 24 crore as on March 31, 2024. However, reduced level of borrowings led to an improvement in the capital structure of ASL, with gearing and TOL/TNW of 0.5 times (0.9 times as on March 31, 2023) and 0.7 times (1.2 times as on March 31, 2023), respectively as on March 31, 2024. The coverage indicators of the company also stood at a comfortable level in FY2024. ICRA does not expect any major deterioration in the capital structure and coverage indicators of the company in the near term.

**High working capital intensity of operations exerts pressure on liquidity** – Significant receivables and stocking requirements keep the company's working capital intensity of operations at a high level, exerting pressure on its liquidity position. Nevertheless, NWC/OI of the company rose to 30% in FY2024 from 36% in FY2023, primarily driven by a decline in the inventory holding. However, ICRA expects that ASL's working capital intensity of operations is likely to remain at an elevated level, going forward.

### Liquidity position: Adequate

The company generated positive cash flow from operations in FY2024 on the back of a decline in the working capital intensity of operations. However, in view of a likely increase in the scale of operations along with a rise in the working capital intensity, ICRA expects the cash flow from operations to turn negative in FY2025. The overall fund-based working capital utilisation of the company stood at around 68% in the last 12 months, ended in February 2025, leaving adequate buffer. ASL is expected to generate cash accruals of Rs. 4-5 crore, over the next two years. The company has limited scheduled long-term debt repayment obligations compared to its likely cash accruals from the business. In view of adequate cash flow from operations, undrawn working capital facilities and absence of any major capital expenditure programme, ICRA expects the liquidity position of the company to remain adequate, going forward. As the company's business is expected to record a modest growth in the medium term, efficient management of working capital requirement would remain crucial, going forward.

### Rating sensitivities

**Positive factors** – ICRA may upgrade the ratings if the company is able to increase its revenue and profitability while improving its liquidity position and net worth on a sustained basis.

**Negative factors** – Pressure on ASL’s ratings could arise if there is a significant decline in turnover and profitability. Any major debt-funded capital expenditure and/or any deterioration in the working capital cycle, which could adversely impact the company’s liquidity position, may also result in ratings downgrade. Specific credit metric that may trigger ratings downgrade include an interest coverage of less than 2.5 times on a sustained basis.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial statements of the entity

## About the company

ASL was founded in 1995 as a closely held public limited company in the name of Acknit Fibres Limited, which was renamed in 2003. The company started its operations with manufacturing of hand gloves for industrial usages. ASL has diversified its product range over the years by manufacturing protective industrial garments and safety shoes. At present, the company manufactures cotton/ synthetic/ dotted gloves and industrial garments at its plants located at the Falta Industrial Growth Centre in West Bengal and in Chennai in Tamil Nadu. ASL manufactures safety shoes at its unit located in Kanpur, Uttar Pradesh. The company also trades in other industrial safety items like coated/ knitted gloves, garments, helmets, belts etc.

## Key financial indicators (audited)

ASL, Standalone	FY2023	FY2024	9M FY2025*	9M FY2024*
Operating income	84.1	88.5	74.8	66.2
PAT	2.7	3.4	2.8	2.2
OPBDIT/OI	7.5%	8.0%	7.7%	7.6%
PAT/OI	3.2%	3.8%	3.8%	3.4%
Total outside liabilities/Tangible net worth (times)	1.2	0.7	0.8	1.0
Total debt/OPBDIT (times)	3.0	1.7	2.1	2.2
Interest coverage (times)	3.3	4.0	4.7	3.8

Source: Acme Safetywears Limited, ICRA Research; \* Provisional numbers; All ratios as per ICRA’s calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

Current rating (FY2025)				Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Mar 28, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based – Working Capital Facilities	Long term	16.00	[ICRA]BB+ (Stable)	Mar 28, 2024	[ICRA]BB+ (Stable)	Mar 20, 2023	[ICRA]BB (Stable)	Mar 3, 2022	[ICRA]BB (Stable)
Fund-based – Interchangeable (PC/PCFC/FBD/FBP#)	Long term	(12.00)	[ICRA]BB+ (Stable)	Mar 28, 2024	[ICRA]BB+ (Stable)	Mar 20, 2023	[ICRA]BB (Stable)	Mar 3, 2022	[ICRA]BB (Stable)
Fund-based – Interchangeable (FCNRB Loan#)	Long term	(12.00)	[ICRA]BB+ (Stable)	Mar 28, 2024	[ICRA]BB+ (Stable)	Mar 20, 2023	[ICRA]BB (Stable)	Mar 3, 2022	[ICRA]BB (Stable)
Non-fund based – Working Capital Facilities	Short term	3.00	[ICRA]A4+	Mar 28, 2024	[ICRA]A4+	Mar 20, 2023	[ICRA]A4	Mar 3, 2022	[ICRA]A4
Unallocated limits	Long term/ Short Term	0.78	[ICRA]BB+ (Stable)/ [ICRA]A4+	Mar 28, 2024	[ICRA]BB+ (Stable)/ [ICRA]A4+	Mar 20, 2023	[ICRA]BB (Stable)/ [ICRA]A4	Mar 3, 2022	[ICRA]BB (Stable)/ [ICRA]A4

# Sub-limit of the Fund-based – Working Capital Facilities

## Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based – Working Capital Facilities	Simple
Long-term fund-based – Interchangeable	Simple
Short-term non-fund based – Working Capital Facilities	Very Simple
Unallocated Limits	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

## Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. Crore)	Current rating and outlook
NA	Cash Credit	-	-	-	16.00	[ICRA]BB+ (Stable)
NA	PC/ PCFC <sup>#</sup>	-	-	-	(6.00)	[ICRA]BB+ (Stable)
NA	FBD/ FBP <sup>#</sup>	-	-	-	(6.00)	[ICRA]BB+ (Stable)
NA	FCNRB Loan <sup>#</sup>	-	-	-	(12.00)	[ICRA]BB+ (Stable)
NA	Letter of Credit	-	-	-	2.00	[ICRA]A4+
NA	Bank Guarantee	-	-	-	1.00	[ICRA]A4+
NA	Unallocated Limits	-	-	-	0.78	[ICRA]BB+ (Stable)/ [ICRA]A4+

Source: Acme Safetywears Limited

<sup>#</sup> Sub-limit of the cash credit limit

## Annexure II: List of entities considered for consolidated analysis

Not applicable

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