

Press Release

Food And Biotech Engineers India Private Limited

July 09, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 25.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 25.00 crore bank facilities of Food And Biotech Engineers India Private Limited. The outlook is '**Stable**'.

Incorporated in 1999, Food and Biotech Engineers Private Limited (FBE) is promoted by Mr. R. P. Singh in association with other director Mr. Anil Kumar Sinha. FBE is engaged in manufacturing, designing, installing and commissioning of dairy, food, starch and biotechnology related machinery and plants. The company specializes in evaporators and dryers used for industries like dairy, fruits, distilleries, and chemicals.

Key Rating Drivers

Strengths

• Experienced Management and long track record of operations

FBE is a Delhi-based company established in 1999 as a private limited company. The Director Mr. R. P. Singh has collective experience of more than two decades in the industrial instruments industry. The company has reputed clients like Mother Dairy, Amul, Heinz, Kwality etc. Acuite believes the company will be benefited over the medium term on the back of established track record and experienced management.

• Comfortable financial risk profile

The comfortable financial risk profile is marked by healthy networth of Rs. 20.92 crore as on 31 March, 2018 (Provisional) as compared to Rs. 18.55 crore a year earlier. The net worth includes unsecured loans of Rs. 7.87 crore as on 31 March, 2018 (Provisional) from promoters which are subordinated to bank debt. Hence, Acuite has treated them as quasi equity. The gearing stood at a healthy 0.66 times as on 31 March, 2018 (Provisional) as against 0.67 times in the previous year. The total debt of Rs. 13.75 for FY2018 (Provisional) comprises of term loan of Rs. 0.49cr, working capital limit of Rs 12.89 crore and unsecured loans of Rs. 0.37 crore. The interest coverage ratio stood average at 2.13 times in FY2018 (Provisional) against 2.12 times in FY2017. The net cash accrual by total debt (NCA/TD) stood at 0.15 times in FY2018 (Provisional). The debt to service coverage ratio (DSCR) stood at 1.61 times in FY2018 (Provisional). Acuite expects the firm to continue its comfortable risk profile in the medium term.

• Healthy Order Book

The company has a strong order book of Rs.130.00 crore as on May 2018, comprising private and government sector projects to be executed in the medium term. For FY2019, the company has an order book of ~Rs. 80 crore. Acuite expects revenue to register strong growth given the order book status.

Weaknesses

• Working capital intensive operations

FBE's working capital intensive operations are marked by high gross current assets days of 439 days in FY2018 (Provisional) as against 364 days in FY2017. This is on account of high debtor days of 258 days in FY2018 (Provisional) and 185 days in FY2017. The inventory days are high of 122 days in FY2018

(Provisional) as compared to 124 days in FY2017. Acuite believes being into capital goods industry the operations of the company will remain working capitalintensive.

• **Cash flows dependent on receipt and timely execution of orders**

The group's cash flows are exposed to economic cycles and timely execution of projects. The group faces intense competition from larger players in the industry. Acuite believes that it is critical for the group to execute orders in hand within stipulated timelines to sustain performance.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of FBE.

Outlook: Stable

Acuite believes that the outlook of FBE will remain Stable over the medium term on account of healthy revenue visibility. The outlook may be revised to 'Positive' if the group exhibits significant and sustained growth in scale of operations while maintaining healthy profitability. On the contrary, the outlook may be revised to 'Negative' in case of decline in scale of operations or revenues adversely impacting margins and working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	80.96	82.00	110.42
EBITDA	Rs. Cr.	4.56	3.76	5.10
PAT	Rs. Cr.	1.34	1.60	0.34
EBITDA Margin	(%)	5.64	4.58	4.62
PAT Margin	(%)	1.65	1.95	0.31
ROCE	(%)	12.05	13.76	20.41
Total Debt/Tangible Net Worth	Times	0.66	0.67	0.49
PBDIT/Interest	Times	2.13	2.12	2.72
Total Debt/PBDIT	Times	2.95	2.63	1.46
Gross Current Assets (Days)	Days	439	364	220

Status of non-cooperation with previous CRA (if applicable)

'CRISIL, vide its press release dated Sep 22, 2017 had denoted the rating of Food and Biotech Engineers Private Limited as 'CRISIL B-/Stable/A4 ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings. The earlier rating, however, stood at 'CRISIL B-/Stable/A4' vide its press release dated Apr 12, 2016.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE A4

Contacts

Analytical	Rating Desk
<p>Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in</p> <p>Abhishek Verma Manager - Rating Operations Tel: 022-67141115 abhishek.verma@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

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