

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

Acuité 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 Diary, Amul, Heinz, Kwality etc. Acuité 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, Acuité has treated them as quasi equity. The gearing stood at a healthy at 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). Acuité 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. Acuité 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. Acuité believes being into capital goods industry the operations of the company will remain working capital intensive.

- **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. Acuité believes that it is critical for the group to execute orders in hand within stipulated timelines to sustain performance.

Analytical Approach

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

Outlook: Stable

Acuité 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

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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