

Press Release

Food and Biotech Engineers India Private Limited (FBPL)

August 19, 2019

Rating Downgraded



Total Bank Facilities Rated*	Rs.25.00 Cr.
Long Term Rating	ACUITE C (Downgraded from ACUITE B+/Stable)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded the long term rating to '**ACUITE C**' (read as **ACUITE C**) from '**ACUITE B+**' (read as **ACUITE B plus**) and reaffirmed the 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 (FBPL).

The downgrade reflection in rating is in view of significant liquidity pressures resulting in intermittent irregularities in servicing working capital facilities with the banks.

FBPL was incorporated in 1999 and is engaged in the designing, manufacturing, installing, commissioning of machinery, equipment as well as turnkey projects for dairy, biotechnology, distillery industries. FBPL's major clients are Amul, Milkfoods, Mother Dairy, FlexoGrip to name a few. The company's manufacturing facilities are located in Palwal, Haryana.

Analytical Approach

For arriving at its rating, Acuite has considered a standalone view of the business and financial risk profile of FBPL.

Key Rating Drivers

Strengths

- Established track record of operations and experienced management**

FBPL was incorporated in 1999, thus the company has a track record of operations of two decades. Mr. R.P. Singh (Director) and Mr. Anil Kumar Sinha (Director) have an extensive experience more than two decades in the dairy industry. The long track record of operations and experience of management has helped the company develop healthy relationships with its customers and suppliers.

Acuite believes that FBPL will sustain its existing business profile backed by established track record of operations and experienced management.

- Moderate financial risk profile**

FBPL has moderate financial risk profile marked by average net worth, debt protection metrics and interest coverage ratio. The net worth stood at Rs.20.15 crore as on 31 March, 2019(Provisional) as against Rs.20.87 crore as on 31 March 2018. The gearing (debt-to-equity) stood at 0.46 times as on 31 March, 2019(Provisional) as against 0.57 times as on 31 March, 2018. Further, the interest coverage ratio stood at 2.20 times for FY2019 (Provisional) as compared to 2.41 times for FY2018. Total outside liabilities to total net worth (TOL/TNW) stood at 2.63 times as on 31 March, 2019(Provisional) as against 4.26 times as on 31 March, 2018.

Weaknesses

- Significant liquidity pressure**

FBPL has weak liquidity, which has impeded its ability to meet its debt obligation in a timely manner. The account has been persistently irregular on account of intermittent over drawings in the cash credit facility.

- Working capital intensive nature of operations**

The company's operations remain working capital intensive as reflected by Gross Current Assets (GCA) of 355 days in FY2019 (Provisional) as against 433 days in FY2018. GCA days remained high

on account of high inventory holding period of 145 days for FY2019 (Provisional) as against 128 days in the previous year. Further Debtor collection period stood at 190 days in FY2019 (Provisional). Acuite believes that the working capital operations will continue to remain intensive over the medium term on account of the high level of inventory to be maintained.

Liquidity Profile

Liquidity position of FBPL is weak with respect to net cash accruals vis-à-vis its debt repayment obligations. The average bank limits were fully utilized for the past six months ended June 2019. The company's working capital operations are intensive marked by gross current asset (GCA) days of 355 days in FY2019 (Provisional). Company maintains unencumbered cash and bank balances of Rs.1.93 crore as on 31 March, 2019 (Provisional). The current ratio stands at 1.31 times as on 31 March, 2019 (Provisional). Acuite believes that the liquidity of the company is likely to remain weak over the medium term on account of below average cash accruals against debt repayments over the medium term.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	64.19	81.03	82.00
EBITDA	Rs. Cr.	5.86	4.66	3.76
PAT	Rs. Cr.	1.65	1.29	1.60
EBITDA Margin	(%)	9.14	5.75	4.58
PAT Margin	(%)	2.56	1.60	1.95
ROCE	(%)	16.52	13.46	13.76
Total Debt/Tangible Net Worth	Times	0.46	0.57	0.67
PBDIT/Interest	Times	2.20	2.41	2.12
Total Debt/PBDIT	Times	1.58	2.31	2.63
Gross Current Assets (Days)	Days	355	433	364

Status of non-cooperation with previous CRA:

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Application of Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-40.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to last three years)

Date	Name of the instrument/facilities	Term	Amount (Rs. Crore)	Ratings/ Outlook
09-Jul-2018	Cash Credit	Long Term	6.00	ACUITE B+ /Stable (Assigned)
	Term Loan	Long Term	1.00	ACUITE B+ /Stable (Assigned)
	Bank Guarantee	Long Term	18.00	ACUITE A4 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE C (Downgraded from ACUITE B+/ Stable)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE C (Downgraded from ACUITE B+/Stable)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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