

## Press Release

### Food And Biotech Engineers India Private Limited

August 29, 2020



#### Rating Upgraded, Reaffirmed, Withdrawn

<b>Total Bank Facilities Rated*</b>	Rs.25.00 Cr.
<b>Long Term Rating</b>	ACUITE B+/Outlook: Stable (Upgraded from ACUITE C)
<b>Short Term Rating</b>	ACUITE A4 (Reaffirmed)

\* Refer Annexure for details

#### Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE B+** (read as ACUITE B plus) from '**ACUITE C** (read as ACUITE C) 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 (FBEIPL). The outlook is '**Stable**'.

Also, Acuité has upgraded and withdrawn the long-term rating of '**ACUITE B+** (read as ACUITE B plus) on the Rs.1.00crore bank facilities of FBEIPL.

The upgrade in the rating is on account of improvement in the financial risk profile, healthy order book, improvement in the operating income and long track record of operation which has helped the company in maintaining a healthy relationship with its customers and suppliers. The operating income of the company has increased by around 3.26 percent to Rs.60.19crore (Prov.) in FY2020 from Rs.58.29crore in FY2019. The company has a healthy order book of Rs.93.02crore which is to be completed by November, 2021.

Incorporated in the year 1999, FBEIPL is a Delhi based company. The directors of the company are Mr. Rabindra Prasad Singh and Mr. Anil Kumar Sinha. The company is engaged in the business of 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.

#### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of FBEIPL to arrive at this rating.

#### Key Rating Drivers

##### Strengths

- **Established track record of operations and experienced management**

FBEIPL was incorporated in the year 1999. The directors of the company are Mr. Rabindra Prasad Singh and Mr. Anil Kumar Sinha. The directors of the company have been engaged in the aforementioned business line for more than two decades. The extensive experience of the directors has helped in establishing healthy relationships with its customers and suppliers. The key customers of the company include names like Bihar State Co-Operative Milk Production, Farmgate Agro Milch Private Limited, Gujarat Ambuja Export Limited and IDMC Limited amongst others with no major concentration in revenues. The company also exports to countries like Australia, Nepal, etc. to name a few. The overseas customers include names like Corio Bay Dairy Group Private Limited, Pearl Dairy Farm and Sujal Dairy Private Limited, to name a few. The key suppliers include names like Fillpack Technology, Fristam Pumps Private Limited and Lakhshay International to name a few. On the back of the stable and repeated orders from its customer, the operating income of the company has increased by around 3.26 percent to Rs.60.19crore (Prov.) in FY2020 from Rs.58.29crore in FY2019. The company has a healthy order book of Rs.93.02crore which is to be completed by November, 2021.

Acuité believes that the company will benefit from the experience of the directors along with a healthy relationship with its customers and suppliers and a healthy order book.

#### • **Moderate Financial Risk Profile**

FBEIPL's financial risk profile is moderate, marked by moderate net worth, low gearing and comfortable debt protection metrics. The company's net worth is moderate and is estimated at around Rs.15.57crores (Prov.) as on March 31, 2020 as against Rs.13.66crores as on March 31, 2019. The net worth levels have seen improvement over the last three years through FY2020 on account of limited accretion to reserves during the same period. The gearing continues to remain low around 0.72 times (Prov.) as on March 31, 2020. The total outstanding borrowings as on March 31, 2020 of Rs.11.26crore (Prov.) includes long term borrowing of Rs.0.04crore, unsecured loan of Rs.2.65crores and short term borrowing of Rs.8.57crore. As on March 31, 2020, the total outside liabilities to tangible net worth (TOL/TNW) level stands at 3.72 times (Prov.) as against 6.62 times as on March 31, 2019. The firm, on the other hand, generated cash accrals of Rs.2.68crore (Prov.) in FY2020.

The revenue of the firm has increased by around 3.26 percent to Rs.60.19crore (prov.) in FY2020 from Rs.58.29crore in FY2019. EBITDA in absolute term has increased to Rs.4.44crore (Prov.) in FY2020 as against Rs.3.43crore in FY2019. Similarly, PAT has increased from Rs.0.66crore in FY2019 to Rs.1.91crore (Prov.) in FY2020. The moderate profitability levels, coupled with low-debt levels, have led to comfortable debt protection measures. The NCA/TD and interest coverage ratio for FY2020 stands at 0.24 times (Prov.) and 2.58 times (Prov.) respectively as against 0.10 times and 1.74 times in FY2019, respectively. The Debt-EBITDA ratio stands at 2.42 times (Prov.) in FY2020 against 3.88 times in FY2019.

#### **Weaknesses**

##### • **Working capital management is intensive in nature**

FBEIPL's operation is working capital intensive in nature marked by high gross current asset (GCA) days. Even though there has been an improvement in the GCA days from 577 in FY2019 but still it stands high at 397 days (Prov.) in FY2020. The company had maintained an inventory holding period of around 71 days (Prov.) as on March 31, 2020 as against 174 days as on March 31, 2019. FBEIPL had extended a credit period of around 295 days (Prov.) as on March 31, 2020 to its customer as against 344 days as on March 31, 2019. As a result, the reliance on the working capital limit is high, leading to high utilization of its bank line at an average of around 94.83 percent over the last 6 months through June, 2020, while its peak utilization was high at around 99.83 percent during the same period.

Acuite expects the working capital management to remain intensive since the company belongs to the capital goods industry.

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

FBEIPL's cash flows are exposed to the timely execution of the projects. There is an intensive competition from a large number of organised and unorganised players of the industry. But the risk is mitigated by the intensive experience of the directors and long track record of operation. Acuite believes that it is critical for the company to execute orders in hand within stipulated timelines to sustain performance.

#### **Rating Sensitivities**

- Scaling up of operation while maintaining the profitability margin
- Significant improvement in the working capital management

#### **Liquidity Position: Adequate**

The company has adequate liquidity, marked by moderate net cash accrals to its maturing debt obligations. The company generated cash accrals of Rs.2.68crore (Prov.) in FY2020 as against its maturing debt obligations of Rs.0.11crore during the same period. The cash accrual of the company is estimated to remain around Rs.2.77crore to Rs.3.35crore during 2021-23 against no repayment obligations during the same period. The company's working capital operations are intensive, marked by the Gross Current Asset (GCA) days of 397 days (Prov.) for FY2020. The average bank limit utilization

stood at 94.83 percent for six months ended June, 2020. The company maintains unencumbered cash and bank balances of Rs.0.60crore (Prov.) as on 31 March 2020. The current ratio stands at 1.24 times (Prov.) as on 31 March 2020. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate net cash accruals to no maturing debt obligation.

#### **Outlook: Stable**

Acuité believes that FBEIPL will maintain a stable outlook over the medium term backed by its experienced directors and established track record in the aforementioned industry. The outlook may be revised to "Positive", if the company demonstrates substantial and sustained growth in its revenues and operating margins from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to "Negative", if the company generates lower-than-anticipated cash accruals, most likely as a result of a sharp decline in operating margins thereby impacting its business risk profile, particularly its liquidity.

#### **About the Rated Entity - Key Financials**

	Unit	FY20(Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	60.19	58.29
PAT	Rs. Cr.	1.91	0.66
PAT Margin	(%)	3.18	1.14
Total Debt/Tangible Net Worth	Times	0.72	1.09
PBDIT/Interest	Times	2.58	1.74

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

None

#### **Any other information**

None

#### **Any Material Covenants**

None

#### **Applicable Criteria**

- Default Recognition- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

#### **Note on complexity levels of the rated instrument**

<https://www.acuite.in/view-rating-criteria-55.htm>

#### **Rating History (Up to last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
19-Aug-2019	Cash Credit	Long term	6.00	ACUITE C (Downgraded from ACUITE B+/Stable)
	Term Loan	Long term	1.00	ACUITE C (Downgraded from ACUITE B+/Stable)
	Bank Guarantee	Short term	18.00	ACUITE A4 (Reaffirmed)
09-July-2018	Cash Credit	Long Term	6.00	ACUITE B+/Stable (Assigned)
	Term Loan	Long Term	1.00	ACUITE B+/Stable (Assigned)
	Bank Guarantee	Short 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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE B+/ Stable (Upgraded from ACUITE C)
Term Loan	January 25, 2016	Not Applicable	January 25, 2019	1.00	ACUITE B+ (Upgraded and Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE A4 (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B+/ Stable (Upgraded from ACUITE C)

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**About Acuité Ratings & Research:**

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