

Press Release

Food And Biotech Engineers India Private Limited

January 07, 2022



Rating Assigned and Reaffirmed

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|-------------------|------------------|---------------------------------|------------------------|
| Bank Ratings Loan | 18.00 | | ACUITE A4 Reaffirmed |
| Bank Ratings Loan | 1.80 | ACUITE B+ Stable Assigned | |
| Bank Ratings Loan | 7.00 | ACUITE B+ Stable Reaffirmed | |
| Total | 26.80 | - | - |

* Refer Annexure for details

Rating Rationale

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

Acuite has assigned the long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs.1.80 crore bank facilities of Food And Biotech Engineers India Private Limited (FBEIPL). The outlook is '**Stable**'.

Rationale for Rating Reaffirmation

The rating reaffirmation consider the comforts drawn from stable business risk profile and experienced management. the company's financial risk profile continues to remain moderate over the medium term. Acuite expects the business and financial performance to improve over the medium term. However, the rating remains constrained on account of intensive working capital operations and stretched liquidity position.

About the Company

Incorporated in the year 1999, FBEIPL is a Delhi based company. The directors of the company are Mr. Rabindra Prasad Singh, Mr. Abhishek Singh Prasad and Mr. Anil Kumar Sinha. The company is engaged in the business of manufacturing, designing, installing and commissioning of dairy, food, starch and biotechnologyrelated machinery and plants. The company specializes in evaporators and dryers used for industries like dairy, fruits, distilleries and chemicals.

Analytical Approach

Acuite 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, Mr.

Abhishek Singh Prasad 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, Gujarat Ambuja Export 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 company also have a healthy order book position of Rs.71.90 crore. Acuité believes that the company will benefit from the experience of the directors along with a healthy relationship with its customers and suppliers along with a healthy order book position.

Moderate Financial Risk Profile

The financial risk profile of the company stood moderate marked by moderate net worth, low gearing and moderate debt protection metrics. The tangible net worth stood at Rs.15.92 crore as on March 31, 2021 as against Rs.15.03 crore as on March 31, 2020. The total debt of the company stood at Rs.13.74 crore includes Rs.4.84 crore of long term debt, Rs.2.98 crore of unsecured loans from promoters and Rs.5.92 crore of short term debt as on March 31, 2021. The gearing (debt-equity) stood at 0.86 times as on March 31, 2021 as compared to 0.75 times as on March 31, 2020. Interest Coverage Ratio stood at 2.24 times for FY2021 as against 2.34 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 2.11 times for FY2021 as against 2.18 times for FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 3.94 times as on March 31, 2021 as against 3.86 times on March 31, 2020. Net Cash Accruals to Total Debt (NCA/TD) also stood at 0.12 times for FY2021 as against 0.19 times for FY2020. Acuité believes that the financial risk profile of the company is expected to remain at the same level over the medium term.

Weaknesses

Intensive working capital management

The working capital management of the company is intensive in nature marked by GCA days of 604 days in FY2021 as against 393 days in FY2020. The high GCA days are due to elongation in the debtors days which stood at 445 days in FY2021 as against 290 days in FY2020. The inventory days stood at 105 days in FY2021 as against 70 days in FY2020. As a result of elongation in debtor days, the reliance on the working capital limit is high, leading to high utilization of its bank limit utilisation at an average of around 99 percent over the last 6 months through October, 2021.

Acuité believes that efficient working capital management will be crucial to the company in order to maintain a healthy risk profile.

Highly competitive industry and cash flow dependent on 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. Acuité believes that it is critical for the company to execute orders in hand within stipulated timelines to sustain performance.

Rating Sensitivities

Improving the scale of operation while maintaining the profitability margin.
Significant improvement in the working capital management.

Material covenants

None.

Liquidity Position: Stretched

The company has stretched liquidity marked by intensive working capital. However, the company's working capital operation stood intensive marked by GCA days of 604 days in FY2021 as against 393 days in FY2020. As a result of which the average bank limit utilization stood high at around 99 percent for the last 6 months ended October 2021. The company maintains an unencumbered cash and bank balances of Rs.0.11 crore as on March

31, 2021. The current ratio of the company stood at 1.34 times as on March 31, 2021. However, the company has adequate net cash accruals as against its maturing debt obligations.

Outlook: Stable

Acuité believes the company will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and long-standing relations with customers and suppliers. The outlook may be revised to 'Positive' in case the company registers higher than expected revenues and profitability while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in the company's revenue or profitability or significant deterioration in the working capital cycle leading to deterioration in its financial risk profile and liquidity position.

Key Financials

| Particulars | Unit | FY 21 (Actual) | FY 20 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 42.60 | 60.19 |
| PAT | Rs. Cr. | 0.89 | 1.36 |
| PAT Margin | (%) | 2.10 | 2.26 |
| Total Debt/Tangible Net Worth | Times | 0.86 | 0.75 |
| PBDIT/Interest | Times | 2.24 | 2.34 |

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

Not Applicable.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of 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

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|--------------------------------|------------|-----------------|---|
| 29 Aug 2020 | Proposed Bank Facility | Short Term | 18.00 | ACUITE A4 (Reaffirmed) |
| | Cash Credit | Long Term | 6.00 | ACUITE B+ Stable (Upgraded from ACUITE C) |
| | Proposed Bank Facility | Long Term | 1.00 | ACUITE B+ Stable (Upgraded from ACUITE C) |
| | Term Loan | Long Term | 1.00 | ACUITE B+ (Withdrawn) |
| 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 Jul 2018 | Term Loan | Long Term | 1.00 | ACUITE B+ Stable (Assigned) |
| | Cash Credit | Long Term | 6.00 | ACUITE B+ Stable (Assigned) |
| | Bank Guarantee | Short Term | 18.00 | ACUITE A4 (Assigned) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Quantum (Rs. Cr.) | Rating |
|----------------|----------------|-------------------------------------|------------------|----------------|----------------|-------------------|---------------------------------------|
| Canara Bank | Not Applicable | Bank Guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 18.00 | ACUITE A4 Reaffirmed |
| Canara Bank | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | 6.00 | ACUITE B+ Stable Reaffirmed |
| Not Applicable | Not Applicable | Proposed Long Term Bank Facility | Not Applicable | Not Applicable | Not Applicable | 1.00 | ACUITE B+ Stable Reaffirmed |
| Canara Bank | Not Applicable | Working Capital Demand Loan (WC DL) | Not available | Not available | Not available | 1.80 | ACUITE B+ Stable Assigned |

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About Acuité Ratings & Research

Acuité Ratings & Research 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 8,850 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 Kanjurmarg, Mumbai.

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