Press Release

R K Feed Equipments

August 20, 2020

Rating Update

Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	ACUITE BB- (Withdrawn)

** Refer Annexure for details*

Rating Rationale

Acuité has reviewed the long-term rating of '**ACUITE BB-**' **(read as ACUITE double B minus)** on the Rs. 8.00 crore bank facilities of R K Feed Equipments (RKFE). The rating withdrawal is in accordance with the Acuité's policy on withdrawal of rating.

The rating is being withdrawn on account of request received from the company and NOC received from the banker.

R K Feed Equipments (RKFE), a partnership firm based at Halol (Gujarat) was established in 1997. The firm is engaged in providing solutions in design, manufacture and supply of parts for animal feed plants, machinery and spares. Its products also include Pellet dies, press roll shells, other spares and machineries for preparing animal feeds and Biomass-wood pellets. The manufacturing unit has installed capacity of 7000 pieces of spare parts per annum. The firm also exports to countries such as the UK, Egypt, Nepal and Sri Lanka among others.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of RKFE to arrive at the rating.

Key Rating Drivers

Strengths

- **Extensive experience of Partners and established track record of operations**

  RKFE was established in 1997 and has established a presence in the said line of business. The Partners, Mr. Deepak Bhandari and Mr. Chandrabhan Singh have experience of more than two decades in the said line of business. The partners have longstanding established relationships with the suppliers and customers, which helped the firm in generating repeat orders.

- **Moderate financial risk profile**

  The financial risk profile of RKFE has remained average marked by tangible net worth of Rs. 11.50 crore as on 31 March, 2020 (Provisional) as against Rs. 10.23 crore as on 31 March, 2019. The gearing stood at 0.83 times as on 31 March, 2020 (Provisional) as against 1.07 times as on 31 March, 2019. The total debt of Rs. 9.50 crore outstanding as on 31 March, 2020 (Provisional) comprises Rs.7.37 crore as long term loans, Rs. 0.67 as unsecured loans and Rs. 1.47 crore as working capital limits from the bank. The interest coverage ratio stood at 5.28 times in FY2020 (Provisional) as against 6.90 times in FY2019. The net cash accruals stood at Rs. 3.76 crore in FY2020 (Provisional) as against Rs. 4.43 crore in FY2019. The debt service coverage ratio stood at 1.46 times in FY2020 (Provisional) as against 1.76 times in FY2019.

Weaknesses

- **Moderately working capital cycle and decline in margins**
  The operations of the firm are working capital intensive nature of operations marked by Gross Current Assets (GCA) days of 213 in FY2020 (Provisional) as against 281 days in FY2019. The GCA is marked by a higher inventory of 227 days in FY2020 (Provisional) and 161 days in FY2019. The receivable days stood higher at 52 days in FY2020 (Provisional) as against 40 days in FY2019. The elongation is due to delayed order execution resulting in high dependence on working capital limits and inventory holdings. Further, operating margins declined to 16.62 percent in FY2020 (Provisional) as against 17.99 percent in FY2019 and 17.30 percent in the previous year. The PAT margin declined to 4.77 percent in FY2019 (Provisional) as against 7.62 percent in FY2019.

- **Cyclicality in the capital goods sector and slowdown due to impact of Covid-19**
  The engineering and capital goods industry is highly vulnerable to economic cycles. Also, RKFE uses steel as a major raw material. Any adverse effect in the fluctuation of steel prices will, in turn, impact the operating and profitability margins. The industry is marked by the presence of a large number of players and is highly competitive. Further, due to the impact of COVID -19, demand has been severely impacted by the end-user industry.

Rating Sensitivity:

Not applicable

Liquidity Position: Adequate

RKFE has adequate liquidity, marked by adequate net cash accruals to a repayment obligation. The net cash accruals stood at Rs. 3.76 crore in FY2020 (Provisional) as against repayment obligation of Rs.2.00 - 2.40 crores. The current ratio stood at 1.23 times in FY2020 (Provisional). The working capital limits stood utilized 37.83 percent for last six month ending July 2020.

Outlook

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	27.51	28.32
PAT	Rs. Cr.	1.31	2.16
PAT Margin	(%)	4.77	7.62
Total Debt/Tangible Net Worth	Times	0.83	1.07
PBDIT/Interest	Times	5.28	6.90

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
- 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 (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
18-Jul-2019	Term Loan	Long Term	8.00	ACUITE BB- / Stable (Reaffirmed)
01-Aug-2018	Term Loan	Long Term	8.00	ACUITE BB- / Stable (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
Term loans	April - 2107	Not Applicable	March - 2023	8.00	ACUITE BB- (Withdrawn)

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