

Press Release

Falcon Garden Tools Private Limited

October 20, 2022

Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.46	ACUITE BB+ Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	11.46	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded long-term rating to 'ACUITE BB+' (read as ACUITE double B plus) from 'ACUITE B+' (read as ACUITE B plus) on the Rs. 11.46 Cr. bank facilities of Falcon Garden Tools Private Limited (FGTPL). The outlook is 'Stable'.

Rationale for the rating upgrade

The rating considers FGTPL's experienced management, established track record of operations and comfortable liquidity profile. It also draws comfort from FGTPL's moderate financial risk profile, and strong operating margins. The operating margins have remained stable at around 17.36 percent for last two years ended FY2022. These strengths are however offset by longer GCA days marked by longer inventory days, moderate scale of operations and presence in the cyclical and price sensitive nature of the industry. Further, the rating was previously downgraded on account of information risk. However, now the client has provided adequate information.

About the Company

Incorporated in 1993, FGTPL is a Punjab-based company promoted by Mr. Surinder Pal Singh, Mr. Gurdip Singh, Mr. Sarbjit Singh and Mr. Balbir Singh Dua. The company is engaged in manufacturing of Agricultural, Horticultural, Gardening and Forestry equipment and tools like lawn mowers, blowers, rakes, cutters, among others. FGTPL has its manufacturing unit located in (Ludhiana) Punjab.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of FGTPL to arrive at this rating

Key Rating Drivers

Strengths

Experienced management and established track record of operations

FGTPL was incorporated in 1993 and has its presence in the engineering industry for more than two decades. Mr. Surinder Pal Singh has a vast experience of 40 years in engineering industry.

The Directors, Mr. Gurdip Singh, Mr. Sarbjit Singh and Mr. Balbir Singh Dua also possess experience of more than three decades in this industry. Acuité believes that the company will benefit from its experienced management which helps the company maintain long standing relations with its customers and suppliers.

Moderate financial risk profile

FGTPL's financial risk profile is moderate marked by moderate net worth, comfortable gearing and adequate debt protection metrics. The net worth of the company stood at Rs.12.21 Cr. as on March 31, 2022 against Rs. 10.03 Cr. as on March 31, 2021. The gearing stood at 1.36 times on March 31, 2022 as against 1.30 times as on March 31, 2021. The total borrowings consist of long term debt of around Rs. 9.71 Cr. short term borrowings of around Rs. 2.51 Cr and USL infused by promoters to the tune of Rs. 4.40 Cr. The gearing has increased marginally owing to additional TL borrowings for Capex during FY2022. However, the adjusted gearing as on March 31, 2022 stood at 1.00 time. Further, the interest coverage ratio stood strong at 4.96 times during FY2022 against 4.55 times in FY2021. The DSCR stood at 1.34 times for FY2022 against 1.44 times in FY2021. Going forward the team believes that, FGTPL will be able to maintain a comfortable financial risk profile in the near future owing to its timely infusion of funds in the company by the directors and its adequate profitability margins.

Weaknesses

Moderate scale of operations albeit comfortable operating profitability

FGTPL's scale of operations although improving, are low. The revenues stood at Rs.31.52 Cr. for FY2022 against Rs.24.60 Cr. during FY2021 and Rs. 21.07 Cr. in FY2020. The growth in revenues is marked by increased production levels and increased selling prices. FGTPL manufactured around 7.40 lacs Pcs of products (74% capacity utilisation) during FY2022 against 6.79 lacs Pcs (69% capacity utilisation) in FY2021. Further, the average selling price during FY2020-FY2022 has increased from Rs 356 per piece to Rs. 416 per piece in FY2022. Further, FGTPL is able to generate and maintain strong operating margins owing to demand for its products marked by consistent orders from repeated clients over the years. During the last two years ended FY2022, the operating margins have stood comfortable at around 17.36 against 12.21 per cent during FY2020. The margins have increased during last two years pertaining to newly introduced high margin products like bio-shredders etc. The profitability margins stood at 6.92 percent in FY2022 against 6.60 percent for FY2021 respectively.

Going forward, FGTPL plans to undertake export orders which is expected to improve its scale of operations in the near future.

Profitability susceptible to price volatility and cyclicalities of the industry

The company performance remains vulnerable to cyclicalities in the steel and aluminium sector as demand for the same depends on the performance of the end user segments such as electronics, aviation, real estate etc. The operating margin of the company is thus exposed to fluctuations in the prices of raw materials as well as realization from finished goods. However, company has been managing the same well as seen from its stable operating margins.

Rating Sensitivities

- Improvement in scale of operations while maintaining profitability

Material covenants

None

Liquidity Position

Adequate

FGTPL has adequate liquidity marked by sufficient cushion between the accruals and repayments. The net cash accruals stood at Rs.3.50 Cr. against the debt obligations of around Rs.2.33 Cr. However, the working capital cycle has been intensive in nature marked by GCA of 209 days during FY2022 against 192 days in FY2021. This is mainly dominated by higher inventory days which have stood at around 123-127 days during the two financial years owing to the manufacturing nature of the business. Further, company's debtor days stood as low as 16 days during FY2022 against 21 in FY2021. Also, the company is able to get

some flexibility in its credit period credit from suppliers. The creditor days stood at 68 and 69 for last two years ended FY2022. This reduces its dependancy on working capital limits which have stood utilised at nominal rate of around 60% for latest 8 months ended Aug 2022. The cash balances as on March 31, 2022 stood at Rs. 5.86 Cr against Rs. 2.48 Cr as on March 31, 2021. Further, the current ratio stood sufficient at 1.84 times as on March 31, 2022.

Outlook: Stable

Acuité believes that FGTP's outlook will remain 'Stable' and the company will benefit over the medium term from its experienced management and moderate financial risk profile coupled with healthy profitability margins. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues while maintaining its margins and financial risk profile. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or higher than envisaged debt funded capex or working capital requirements deteriorating financial risk profile and liquidity position.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	31.52	24.60
PAT	Rs. Cr.	2.18	1.62
PAT Margin	(%)	6.92	6.60
Total Debt/Tangible Net Worth	Times	1.36	1.30
PBDIT/Interest	Times	4.96	4.55

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

None

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
16 May 2022	Term Loan	Long Term	0.96	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	8.00	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	2.50	ACUITE B+ (Downgraded and Issuer not co-operating*)
09 Feb 2021	Proposed Bank Facility	Long Term	8.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	2.50	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	0.96	ACUITE BB- (Downgraded and Issuer not co-operating*)

26 Nov 2019	Proposed Term Loan	Long Term	8.00	ACUITE BB (Issuer not co-operating*)
	Cash Credit	Long Term	2.50	ACUITE BB (Issuer not co-operating*)
	Term Loan	Long Term	0.96	ACUITE BB (Issuer not co-operating*)
11 Sep 2018	Cash Credit	Long Term	2.50	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	0.96	ACUITE BB Stable (Assigned)
	Proposed Term Loan	Long Term	8.00	ACUITE BB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab and Sind Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BB+ Stable Upgraded (from ACUITE B+)
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.01	ACUITE BB+ Stable Upgraded (from ACUITE B+)
Small Industries Development Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	0.11	ACUITE BB+ Stable Upgraded
Small Industries Development Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	1.08	ACUITE BB+ Stable Upgraded
Small Industries Development Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	1.72	ACUITE BB+ Stable Upgraded
Small Industries Development Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	0.94	ACUITE BB+ Stable Upgraded
Small Industries Development Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	1.30	ACUITE BB+ Stable Upgraded
Small Industries Development Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	0.70	ACUITE BB+ Stable Upgraded
Small Industries Development Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	1.69	ACUITE BB+ Stable Upgraded
Punjab and Sind Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	0.41	ACUITE BB+ Stable Upgraded

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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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