



Press Release
Falcon Garden Tools Private Limited
January 08, 2024
Rating Reaffirmed

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

Rating Rationale

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

Rationale for rating

The rating reaffirmation considers FGTPL's fair profitability margins, lower gearing levels, lower utilizations of working capital limits (56%) and consistent support from promoters in the form of unsecured loans and overall reduction in debt. The promoters have infused a total of around Rs. 5.28 Cr in the company in the form of USL as on March 31, 2023. Further, the average EBITDA margins for the last three years ended FY2023 have stood at ~16.63% while gearing for FY2023 stood low at 0.55 times. Additionally, the rating derives comfort from availability of adequate cash balances to meet any short-term liquidity. Further, the rating continues to draw comfort from FGTPL's experienced management, and established track record of operations. These strengths are however offset by moderate scale of operations, and presence in the cyclical and price sensitive nature of the industry.

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.

Unsupported Rating

Not Applicable

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 comfortable marked by moderate net worth, comfortable gearing and average debt protection metrics. The net worth of the company stood at Rs. 19.09 Cr. as of March 31, 2023, against Rs.16.60 Cr. as on March 31, 2022 and Rs. 14.28 Cr. as on March 31, 2021. The unsecured loans by Directors have been considered as a part of equity in the form of quasi equity as the same have been subordinated towards the loans. The gearing of the company stood low at 0.55 times on March 31, 2023 as against 0.74 times as on March 31, 2022. The gearing has decreased owing to repayments of TL borrowings. The interest coverage ratio stood sufficient at 3.76 times during FY2023 against 4.96 times in FY2022. However, the DSCR stood relatively low at 0.98 times for FY2023 against 1.34 times in FY2022. The net cash accruals stood at Rs. 2.94 Cr. in FY2023 against which current obligations are at Rs. 3.02 Cr. However, company has been paying monthly obligations on time as per feedback from bankers. Further, it has unencumbered cash balances of around Rs. 4.10 Cr. as on December, 2023 which can be used for meeting obligations. Additionally, the Directors during FY2023 have infused around Rs. 0.88 Cr. in the form of USL with total USL~Rs. 5.28 Cr. as on March 31, 2023. The company's working capital utilisation also stood low at ~56% during the eight months ended November 2023.

Acuité 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 sufficient profitability margins.

Weaknesses

Moderate scale of operations and intense competition from Chinese products.

FGTL's revenues have remained stable at ~Rs.30 Cr. for last two years ended FY2023 against Rs.24.60 Cr. during FY2021. The revenues have been subdued due to intense competition from Chinese products which are priced way too lower. Further, the market for this type of product being niche, it is difficult to maintain over the top prices and prices have to be placed competitively. FGTPL's capacity remained utilised at around 81% in FY2023 against 74% during FY2022. The revenues have been impacted despite increase in capacity utilization due to higher sell of products which are relatively priced lower and the competitive pricing strategy. The average selling price has decreased to Rs. 300 per piece in FY2023 from Rs 416 per piece in FY2022. However, company has been able to maintain fair profitability margins. Operating margins during FY2023 stood at 15.19 percent against 17.36 percent during FY2022. The margins have been affected pertaining to higher Admin related expenses during FY2023. However, three years ended FY2023, average EBITDA margins have stood at 16.63%. The profitability margins stood at 5.41 percent in FY2023 against 6.92 percent in FY2022 owing to increased finance costs.

Acuité believes FGTPL's ability to increase its scale of operations, while maintaining the profitability will remain critical towards the rating.

Profitability susceptible to price sensitivity and cyclicity of the industry.

The company performance remains vulnerable to cyclicity in the steel and aluminium sector as prices for the same depends on the demand and performance of the end user segments. FGTPL uses steel & other metals as a part of its major raw materials during the manufacturing of its tools. 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.
- Timely repayment of debt obligations.

Liquidity Position

Adequate

FGTPL has adequate liquidity. The net cash accruals stood at Rs.2.94 Cr. against the debt obligations of around Rs.3.02 Cr. during FY2023. However, company has liquid cash to the tune

of Rs. 4.50 Cr as on March 31, 2023. Although, the working capital cycle has been intensive in nature marked by GCA of 208 days during FY2023 & FY2022, the increase is marked by higher current assets like cash balances which stood at Rs. 4.50 Cr as on March 31, 2023. The working capital limits have stood utilised at nominal rate of around 56% for latest 8 months ended Nov 2023. Further, the current ratio stood sufficient at 1.78 times as on March 31, 2023.

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

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Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	29.58	31.52
PAT	Rs. Cr.	1.60	2.18
PAT Margin	(%)	5.41	6.92
Total Debt/Tangible Net Worth	Times	0.55	0.74
PBDIT/Interest	Times	3.76	4.96

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 Oct 2022	Term Loan	Long Term	0.94	ACUITE BB+ Stable (Upgraded from ACUITE B+)
	Proposed Bank Facility	Long Term	0.01	ACUITE BB+ Stable (Upgraded from ACUITE B+)
	Cash Credit	Long Term	3.50	ACUITE BB+ Stable (Upgraded from ACUITE B+)
	Term Loan	Long Term	1.72	ACUITE BB+ Stable (Upgraded from ACUITE B+)
	Term Loan	Long Term	0.11	ACUITE BB+ Stable (Upgraded from ACUITE B+)
	Working Capital Term Loan	Long Term	0.41	ACUITE BB+ Stable (Upgraded from ACUITE B+)
	Term Loan	Long Term	1.69	ACUITE BB+ Stable (Upgraded from ACUITE B+)
	Term Loan	Long Term	0.70	ACUITE BB+ Stable (Upgraded from ACUITE B+)
	Term Loan	Long Term	1.30	ACUITE BB+ Stable (Upgraded from ACUITE B+)
	Term Loan	Long Term	1.08	ACUITE BB+ Stable (Upgraded from ACUITE B+)
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*)

Annexure - Details of instruments rated

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

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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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