



## Rating Rationale

Active Tools Pvt. Ltd.

28 Sept. 2018

**Brickwork Ratings assigns the rating for Bank Loan Facilities amounting to Rs 17.00 Crs of Active Tools Pvt. Ltd.**

### Particulars:

Facility	Amount Rated (Rs. in Crs).	Tenure	Rating
Fund Based Term Loan	5.00	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable
Fund Based Cash Credit- sublimit of Export Credit Limit	(1.00)		
Fund Based Export Credit Limit	12.00	Short Term	BWR A4+ (Pronounced as BWR A Four Plus)
Total	17.00 (INR Seventeen Crores Only)		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

### Rationale/Rating Sensitivities:

BWR has principally relied upon the audited financial results of Active Tools Pvt. Ltd. (ATPL) up to FY17, Provisional B.Sheet of FY18, other publicly available information and information/clarifications provided by the company.

The company rating derives strength from long experience of the promoters in business of manufacturing of carpentry tools which has helped them build strong relationships with their customers and suppliers, sustained increase in the net profit margins year on year, moderate net worth (analysed) of the company and moderate increase (22%) in the revenues in FY18(Prov.). However, the rating continues to remain constrained by working capital intensive operations, below average debt protection metrics, weak financial risk profile and low current ratio.

Going forward, the Company's ability to increase its operational level, maintain profitability margin,

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increase in net worth, achieving the projected financials, improving conversion cycle and ability to service debt & maintaining different key benchmark ratios as prescribed by the lenders, would be the key rating sensitivities of the company.

### **Key Rating Drivers:**

#### **Credit Strengths:**

- **Long Experience** of the partners in the business. Strong relationships of the partners with customers & suppliers.
- **Increase in sale** is approx 22% in FY18 (Prov.), though the same is at Moderate level of Rs 31.21 Crs in FY18.
- **Moderate tangible net worth (analysed)** of the company which stood at Rs 9.18 Crores in FY17 & Rs 10.64 Crores in FY18(Prov).
- **Net Profit Margin is increasing.** It stood at 0.89% (FY17) and 1.35% (FY18) whereas it was 0.46% in FY16.

#### **Credit Concern :**

- **Working capital intensive operations** indicated by high gross current asset days of 337 in FY17 & 259 days in FY18(Prov).
- **Weak financial risk profile** indicated by high gearing at 4.97 times in FY17 & 5.06 times in FY18(Prov). However, the gearing (analysed) is comfortable at 1.20 times in FY17 & 1.42 times in FY18(Prov.)
- **Moderate debt protection metrics** indicated by ISCR at 1.15 times in FY17 & 1.49 times in FY18(Prov). DSCR for FY18(Prov.) also stood low at 1.26 times.
- **Liquidity Profile** is poor with C.RATIO of 1.15x in FY17 & 1.13x in FY18(Prov).

### **About the Firm:**

Incorporated in 2004 in Jalandhar and promoted by Mr Pritam Singh and his sons, Mr Narinder Singh, Mr Rajinder Singh, and Mr Gurnam Singh, Active Tools Pvt Ltd. (ATPL) manufactures hand tools such as spanners, wrenches, bars, L-handles, hammers, hacksaws, and vices; and carpentry tools. It exports almost 90-95% of its products majorly in US, U.K & Belgium. ATPL's registered address is at 7-9, New Udyog Nagar Fazilpur, Randhawa Masandan Road, Jalandhar-Punjab.

### **Rating Outlook: Stable**



BWR believes that ATPL’s business risk profile will be maintained over the medium term. The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the firm registers similar or better growth rate in its revenues and increase its margins. The rating outlook may be revised to 'Negative' if there is significant deterioration in financial risk profile such as debt coverage metrics and gearing.

**Financial Performance:**

ATPL booked total operating income of Rs 25.31 Crores in FY17 as against Rs. 25.13 Crores in FY16. PAT stood at Rs 0.23 Crores in FY17 as compared Rs 0.11 Crores in FY16. Total Operating income as per provisional balance sheet for FY18 stood at Rs 31.21 Crores, whereas the PAT stands at Rs 0.43 Crores for FY18(Prov.)

Parameters		FY 2017(A)	FY 2016(A)
Total Operating Income	Rs in Cr	25.31	25.13
OPBDIT	Rs in Cr	1.71	1.92
PAT	Rs in Cr	0.23	0.11
Tangible Net Worth	Rs in Cr	3.37	3.15
Total Debt/TNW	Times	4.97	4.05

**Rating History for the last three years:**

Rating in 2018				Rating History		
Facility	Amount Rated (Rs. in Crs)	Tenure	Rating	2017	2016	2015
Fund Based Term Loan	5.00	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	NA	NA	NA
Fund Based Cash Credit- sublimit of Export Credit Limit	(1.00)					



Fund Based Export Credit Limit	12.00	Short Term	BWR A4+ (Pronounced as BWR A Four Plus)			
Total	17.00 (INR Seventeen Crores Only)					

Status of non-cooperation with previous CRA: NA

**Hyperlink/Reference to Applicable Criteria:**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

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

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is



accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹11,99,663 Cr. In addition, BWR has rated about 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

## **DISCLAIMER**

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