



Faalcon Concepts Limited

IPO Note

Recco – RISK



IPO Details	
Opening Date	April 19, 2024
Closing Date	April 23, 2024
Stock Exchange	BSE SME
Lot Size	2,000 Shares
Issue Price	₹62 per share
Issue Size	Aggregating up to 12.09 Cr.
Fresh Issue	Aggregating up to 12.09 Cr.
Offer for Sale	-
Application Amount	₹1,24,000

IPO Objective	
1.	To finance the Capital Expenditure for the purchase of facade Structural equipment.
2.	To part finance the requirement of Working Capital.
3.	General corporate purposes.

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	44,77,900	91.76%
Public	4,02,220	8.24%

Promoter of the Company	
1.	Ekta Seth
2.	Tribhuvan Seth
3.	Prithvi Seth

Competitive Strengths	
1.	Leveraging the experience of the Promoter and employees.
2.	Marquee client base and repeat orders.
3.	Designing and execution capability.
4.	Focus on Quality and Innovation.
5.	Designing and execution capability.

Company Background	
○	Founded in 2018, Faalcon Concepts Limited has its registered office in Gurgaon, Haryana, India.
○	The company is engaged in designing, engineering, fabrication and installation of façade systems.
○	The company specialise in technically demanding facades.
○	The company's product basket ranges from glazing /curtain walls, high-end aluminium doors & windows, skylights, canopies, frameless glazing, MS structures, stone cladding, metal cladding, roofing & others.
○	The company has catered to its customer base in various states such as Haryana, Uttar Pradesh, Rajasthan, Madhya Pradesh, Karnataka, Gujrat, Punjab and Delhi.
○	As of February 29, 2024, the company had a total of 77 employees on its payroll.

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹ 30	₹ 42

Financial Summary (In Lacs.)				
For the Period Ended	Mar-21	Mar-22	Mar-23	Oct-23
Total Assets	553.85	916.77	1,292.64	1,417.67
Net Assets	22.23	129.02	327.53	631.38
Total Borrowing	48.30	67.10	190.58	366.04
Total Revenue	502.21	1,852.93	1,324.81	1,249.11
Profit After Tax	12.31	97.79	179.52	131.83

Tentative Timeline	
Opening Date	April 19, 2024
Closing Date	April 23, 2024
Basis of Allotment	April 24, 2024
Initiation of Refunds	April 25, 2024
Credit of Shares to Demat	April 25, 2024
Listing Date	April 26, 2024



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Company Background and Analysis

Faalcon Concepts Limited was originally incorporated on May 24, 2018. The company is engaged in designing, engineering, fabrication and installation of façade systems. The company specialises in technically demanding facades. The company offers various range of products to meet the demands of the customers.

The company's product basket ranges from glazing /curtain walls, high-end aluminium doors & windows, skylights, canopies, frameless glazing, MS structures, stone cladding, metal cladding, roofing & others. The company believe in offering facades which are resistant to UV rays, acidic rain, dust, noise and others.

The company have catered to the customer base in various states such as Haryana, Uttar Pradesh, Rajasthan, Madhya Pradesh, Karnataka, Gujrat, Punjab and Delhi. The company has completed a variety of projects for Schools, financial institutions, hospitality installations, corporate buildings, and luxury houses. The company's recognised list of clients includes Espirit Techno Consultant Pvt. Ltd, Galaxy Magnum Infra Height Limited, Babbar Films, Maconn's Infra Pvt. Ltd, Silvers Stone Regency Pvt. Ltd., St Xavier School Gurgaon High School etc. among others.

Company's service portfolio –

1. Façade Works – The company's services include designing and installing facades that blend seamlessly with the building's architecture while offering protection against the elements.
2. Structural Glazing / Curtain Walls – The company use aluminium framing, stainless steel, and glass to create elegant and functional designs. The company's Curtain walls also incorporate essential structural elements such as rubber gaskets, sealants, metal connections, and insulation.
3. Aluminium Wall Cladding – The company offers a variety of design options and finishes to suit your preferences and architectural requirements. Aluminum wall cladding provides an attractive and protective layer to the exterior of buildings.

(Amount in Lacs)

Particulars	Mar-21		Mar-22		Mar-23		Oct-23	
	Amt	%	Amt	%	Amt	%	Amt	%
Domestic Sales								
Gujarat	14.18	2.82	-	-	-	-	-	-
Haryana	273.88	54.54	727.97	39.55	669.23	50.89	567.85	45.55
Delhi	1.37	0.27	43.94	2.39	50.29	3.82	193.70	15.54
Karnataka	26.15	5.21	120.50	6.55	-	-	-	-
Madhya Pradesh	-	-	-	-	2.22	0.17	-	-
Uttar Pradesh	174.10	34.67	415.36	22.56	559.91	42.57	415.72	33.35
Punjab	12.50	2.49	-	-	-	-	-	-
Rajasthan	-	-	30.72	1.67	1.58	0.12	-	-
Total Domestic	502.18	100.00	1,338.49	72.71	1,283.23	97.57	1,177.27	94.44
Total Exports Sales (West Africa)	-		502.31	27.29	31.94	2.43	69.28	5.56
Total Revenue	502.18	100.00	1,840.80	100.00	1,315.17	100.00	1,246.55	100.00

To conclude, since the company was incorporated in 2018 it has decent experience in the industry. The company also does exports but has seen a sudden dip in the revenue generation from the exports. And has decreased as per domestic revenue as well.



Business Strategies

1. Expand the customer base –

The company intends to continue to invest in the existing services so as to provide better experiences to the existing clients and also provide services for increasing the client base of the Company.

2. Capitalise on growing demand in the construction industry –

The Company intends to capitalise on such growth opportunities by supplying products to large construction contractors and sufficing their requirements.

3. Expansion of Geographic Reach –

The company intends to expand its geographical reach and enter the large domestic market for growth opportunities for the business. The company plans to deepen its presence in the existing market expand its reach and penetrate into the large available market by giving scale-down low-price solutions and grabbing major market share.

4. Continue to improve quality standards –

The Company intends to focus on adhering to the quality standards of the products & services which the company uses in providing exterior/interior designing services.

5. Attract, train and retain qualified personnel –

The company intends to improve its competitiveness by increasing the focus on training the staff and honing their skills. The company continuously trains the workforce to enhance their knowledge and equip them with the latest skill sets.

**Competitive Scenario and Peer Mapping****Competition**

The industry segments in which the company operates are fragmented. The market for the products and services is competitive on account of both the organized and unorganized players. Players in this industry generally compete with each other on key attributes such as technical competence, quality of products and services, design and execution, pricing and timely delivery. The company has slightly lower entry barriers. The bargaining power with the suppliers is high and the bargaining power with the customer is also slightly high in the industry in which the company operates.

Peer Analysis**The comparison of the key performance indicators of the listed peers as of Mar-23 is given below –**

Particulars	Faalcon Concepts Limited	Innovators Façade Systems Ltd.
	31st Mar 2023	31st Mar 2023
Net Profit Margin	14%	5%
EBITDA Margin	19%	10%
Return on Capital Employed	64%	63%
Return on Equity	55%	6%
EPS (INR)	3.69	4.46

The comparison of the key performance indicators of the listed peers as of Mar-22 is given below –

Particulars	Faalcon Concepts Limited	Innovators Façade Systems Ltd.
	31st Mar 2022	31st Mar 2022
Net Profit Margin	5.31%	1.76%
EBITDA Margin	7%	13%
Return on Capital Employed	67%	25%
Return on Equity	76%	1%
EPS (INR)	2.01	0.85

The comparison of the key performance indicators of the listed peers as of Mar-21 is given below –

Particulars	Faalcon Concepts Limited	Innovators Façade Systems Ltd.
	31st Mar 2021	31st Mar 2021
Net Profit Margin	2.45%	1.4%
EBITDA Margin	3.8%	13.5%
Return on Capital Employed	25.1%	21.9%
Return on Equity	55.4%	0.8%
EPS (INR)	0.25	0.49



Industry Overview

Exhibit 1: Indian Façade Market.

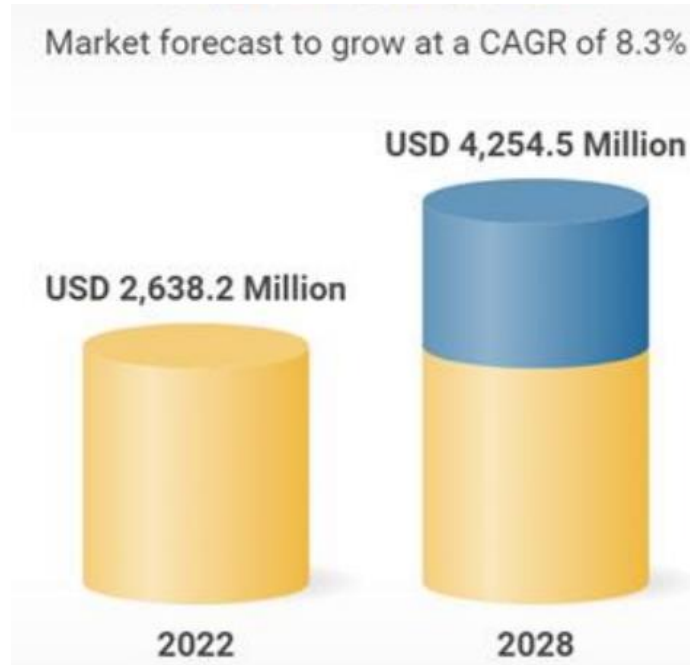
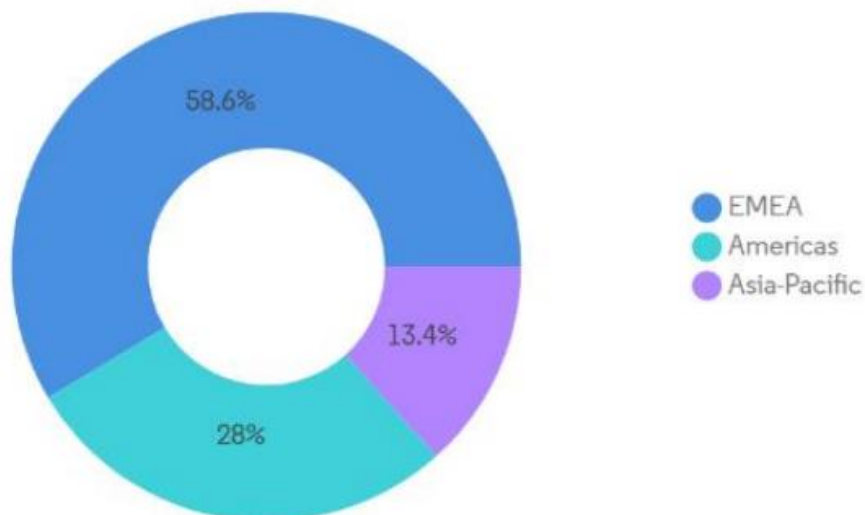


Exhibit 2: Real Estate Cross-Border Transaction Activity, Value in Share (%), Global, Q1 2022



(Source: ibef.org)



Indian Facade Market -

The India facade market size reached US\$ 2,638.2 Million in 2022. Looking forward, the publisher expects the market to reach US\$ 4,254.5 Million by 2028, exhibiting a growth rate (CAGR) of 8.23% during 2023-2028. The increasing construction activities, rising number of commercial spaces, and the growing number of remodeling and upgradation projects represent some of the key factors driving the market.

The facade is an exterior front of a building that comprises roofing, street awnings, and ventilation louvers. It is produced using different materials, such as glass, brick, steel, aluminum, stone, concrete, metal, clay, and wood. It offers an aesthetic appeal to the building and enhanced waterproofing, fabrication, durability, and weather protection. It is generally used in energy efficient buildings for controlling light penetration, regulating internal temperature, and providing thermal insulation. It requires regular maintenance to ensure its longevity and functionality. It is commonly available in several shapes and sizes and can be created as per the requirements of the consumer.

The increasing construction activities in the residential areas on account of rapid urbanization and inflating disposable income levels represent one of the key factors driving the demand for façades in India. Moreover, the rising number of commercial spaces, such as shopping malls, restaurants, cafes, offices, hotels, and institutions, is contributing to the market growth. In addition, due to the growing environmental concerns, several measures are being undertaken by the government of India (GoI) to promote the use of sustainable construction materials and minimize carbon emissions. This, coupled with the launch of various governmentsponsored public housing programs due to the surging demand for affordable housing units, is driving the adoption of facades in the country. Apart from this, the increasing number of remodeling and upgradation projects for stadiums, airports, railway stations, metro, and hospitals is contributing to the market growth in the country.

Furthermore, the rising popularity of polycarbonate facades in industrial and large-scale commercial buildings due to their numerous advantages, including easy installation, weather resistance, and low maintenance costs, is propelling the growth of the market. Besides this, key players operating in India are introducing facades in advanced materials, such as phase change materials (PCM), high reflectance and durable outdoor coatings, and insulation foams with improved strength and visually appealing texture. This, along with the advent of high quality facades that regulates temperature, protects against rain, and resists corrosion to ensure comfortable and durable building on account of changing climatic conditions like heat, humidity, and monsoon is strengthening the growth of the market.

A facade is generally the front part or exterior of a building, especially an imposing or decorative one. From the engineering perspective, the facade is of great importance due to its impact on energy efficiency. Furthermore, the report provides key insights into the Global façade market. It includes technological developments, trends, and government regulations in the sector. Also, focuses on market dynamics.

Additionally, the competitive landscape of the Global façade market is depicted through the profiles of key players active. Global Facade Market is Segmented by Type (Ventilated, Non-Ventilated, and Others), By Material (Glass, Metal, Plastic and Fibres, Stones, and Others), By Application (Commercial, Residential, and Others), and by Geography (North America, Europe, Asia Pacific, Middle East, and Africa, and Latin America). The report offers the market sizes and forecasts for the Global Facade Market in value (USD) for all the above segments and the impact of COVID-19 on the market.

(Source: [ibef.org](https://www.ibef.org))



Key Managerial Personnel

Ekta Seth, aged 49 years, is one of the Promoters, Chairperson and Managing Director of the Company. She is a graduate of Arts (English honours). She has been associated with the company since incorporation. She looks after of routine operational activities of the Company. She is responsible for the overall operations of the Company.

Prithvi Seth, aged 31 years, is one of the Promoters and Whole-Time Director of the Company. He is a law graduate. He has experience of more than 8 years in the Infra and façade Business. He guides the Company in growth strategies, operations, and opportunities and lighting the Company in increasing its scale.

Tribhuvan Seth, aged 28 years, is one of the Promoters and Whole-Time Director of the Company. He is a law graduate and has experience of more than 5 years in the Infra and façade Business. He guides the Company in growth strategies, operations, and opportunities and lighting the Company in increasing its scale.

Ruchi Arora, aged 33 years, is the Non-Executive and Non-Independent Director of the Company. she has a Bachelor of Arts. She has knowledge and experience in the fields of marketing and women empowerment.

Renu Kaur, aged 32 years, is the Independent Director of the Company. She is a Company Secretary and holds degree of M.com and B.com. She has almost 4 years of working experience in the fields of corporate law, Securities law, SEBI Compliance, Trademark, Banking, management, and overall administration control.

Ankur Sharma, aged 30 years, is the Independent Director of the Company. He is a Company Secretary and holding degree of L.L.B, and a Commerce Graduate. He has almost 2 years of working experience in the field of corporate law, Securities law, and SEBI Compliance.

To conclude, the company has 3 promoters, and they have decent experience in the industry. The Remaining Directors of the company also have decent knowledge and experience in their respective fields which helps in the overall growth of the company.



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Financial Snapshot

Profit and Loss Statement					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Oct-23	
Revenue from Operations	502.18	1,840.80	1,315.17	1,246.55	
Other Income	0.03	12.13	9.64	2.56	
Total Income	502.21	1,852.93	1,324.81	1,249.11	
Expenses					
Purchase of materials	402.96	1,336.62	1,219.08	745.99	
Changes in Inventories of stock in trade	-45.22	25.88	-414.27	11.90	
Employee benefits expense	68.81	56.23	67.09	66.68	
Finance costs	0.74	3.84	16.30	18.82	
Depreciation and Amortization expense	1.28	3.33	7.66	18.27	
Other expenses	56.61	293.70	189.17	207.84	
Total Expenses	485.18	1,719.60	1,085.03	1,069.50	
Earnings Before Interest, Taxes, Depreciation & Amortization	19.02	128.37	254.10	214.14	
EBITDA Margin	4%	7%	19%	17%	
Profit/(Loss) before tax	17.03	133.33	239.78	179.61	
Tax Expense					
Current Tax	4.59	35.67	60.51	46.70	
Deferred Tax	0.13	-0.13	0.25	-1.08	
Total Tax Expense	4.72	35.54	60.26	47.78	
Profit/(Loss) for the year	12.31	97.79	179.52	131.83	
Net Profit Margin	2.45%	5.28%	13.55%	10.55%	

Balance Sheet					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Oct-23	
EQUITY AND LIABILITIES					
1. Shareholders' funds					
Share Capital	1.00	1.41	2.27	488.01	
Reserves and surplus	21.23	127.61	325.26	143.37	
Total Equity	22.23	129.02	327.53	631.38	
2. Non-current liabilities					
Long Term Borrowings	48.30	56.29	57.35	177.02	
Deferred Tax Liabilities (Net)	0.05	-	-	0.76	
Total Non-current liabilities	48.35	56.29	57.35	177.78	
3. Current liabilities					
Short-term borrowings	-	10.81	133.23	189.02	
Trade payables	147.19	301.53	411.97	234.37	
Other current liabilities	333.30	381.65	317.10	101.88	
Short-term provisions	2.78	37.47	45.46	83.24	
Total Current liabilities	483.27	731.46	907.76	608.51	
Total Liabilities	531.62	787.75	965.11	786.29	
Total Equity and Liabilities	553.85	916.77	1,292.64	1,417.67	
ASSETS					
1. Non-current assets					



Falcon Concepts Limited

IPO Note

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Balance Sheet					(In Lacs)
Fixed Assets					
a) Tangible Assets	11.97	18.81	55.52	130.41	
Deferred Tax Assets (Net)	-	0.08	0.33	-	
Other Non-Current Assets	-	3.77	8.77	9.09	
Total Non-Current assets	11.97	22.66	64.62	139.50	
2. Current assets					
Inventories	208.07	182.19	596.45	584.55	
Trade receivables	208.04	379.04	266.85	521.68	
Cash and cash equivalents	44.07	17.38	113.99	37.44	
Short-term loans and advances	81.70	315.50	250.73	134.50	
Total Current assets	541.88	894.11	1,228.02	1,278.17	
Total Assets	553.85	916.77	1,292.64	1,417.67	

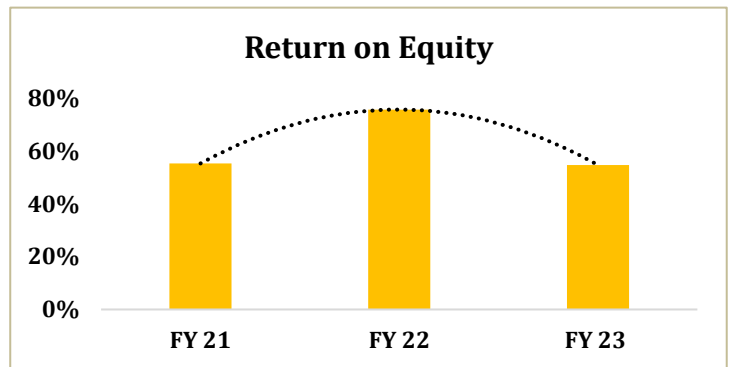
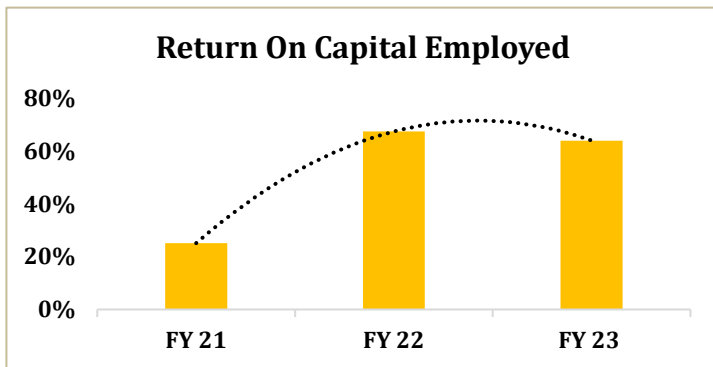
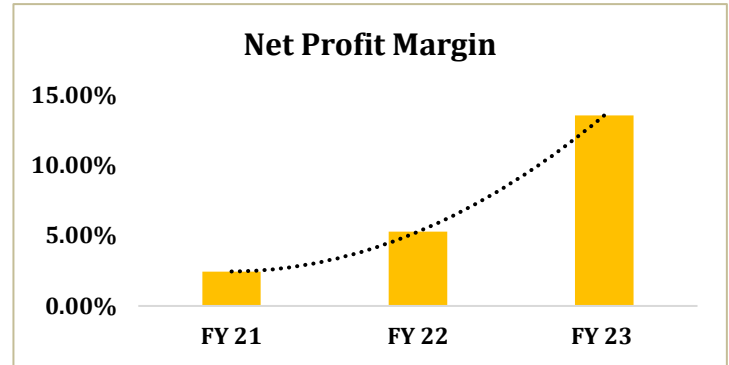
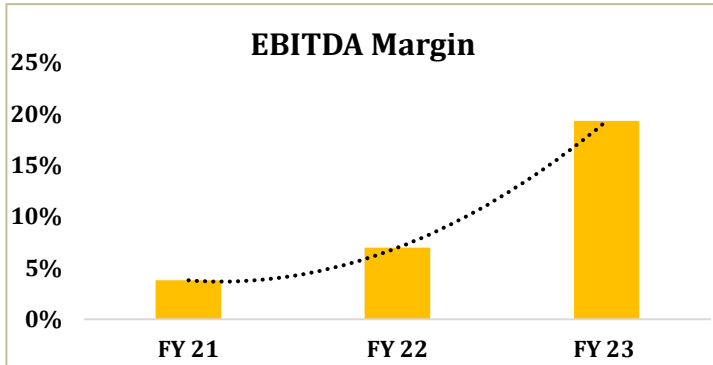
Cash Flow Statement					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Oct-23	
Net Cash Flow from Operating Activities	32.42	-52.96	15.40	-317.61	
Net Cash Flow from Investing Activities	-8.27	1.95	-49.09	-93.02	
Net Cash Flow from Financing Activities	19.12	24.32	130.30	334.08	

Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Oct-23*
Per Share Data				
Diluted EPS	0.25	2.01	3.69	3.37
BV per share	0.33	1.89	4.80	28.38
Operating Ratios				
EBITDA Margins	3.79%	6.97%	19.32%	17.18%
PAT Margins	2.45%	5.28%	13.55%	10.76%
Inventory days	151.23	36.13	165.53	100.35
Debtor days	151.21	75.16	74.06	89.56
Creditor days	133.32	82.34	123.35	67.23
Return Ratios				
RoCE	25%	67%	64%	17%
RoE	55%	76%	55%	12%
Valuation Ratios (x)				
EV/EBITDA	1.39	1.39	1.59	9.64
Market Cap / Sales	8.43	2.30	3.22	1.99
P/E	248.00	30.85	16.80	18.42
Price to Book Value	190.49	32.82	12.93	2.18
Solvency Ratios				
Debt / Equity	2.17	0.52	0.58	0.58
Current Ratio	1.12	1.22	1.35	2.10
Quick Ratio	0.69	0.97	0.70	1.14
Asset Turnover	0.91	2.01	1.02	0.88
Interest Coverage Ratio	23.97	32.56	15.12	10.41

*Annualized Figures



Financial Charts



Key Risk Factors

1. There are outstanding litigation proceedings involving the Company, and the Promoters amounting to Rs. 62.95 lakhs, an adverse outcome which, may have an adverse impact on the reputation, business, financial condition, results of operations and cash flows.
2. For the period ended March 31, 2021, March 31, 2022, and March 31, 2023, and for seven months ended 31st October 2023, the revenue from operations from the top 10 customers contributed to 78.45%, 90.70%, 85.65% and 85.49% respectively.
3. For the Fiscals 2021, 2022, 2023 and seven months ended October 31, 2023, purchases from the top ten suppliers represented 82.56%, 96.74%, 80.59% and 74.82% of the total purchases respectively.
4. The company has had negative operating cash flow for the FY ended 2022, and Oct 2023. Sustained negative cash flow could impact the growth and business.



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Track Record of Lead Manager

The lead manager to the issue is Navigant Corporate Advisors Limited. A table has been set below highlighting the details of the IPO of the recent companies handled by the Lead Manager in recent times –

Navigant Corporate Advisors Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	KCK Industries Limited	4.50	30.00	July 08, 2022	36.09
2.	Rex Pipes and Cables Industries Limited	6.24	26.00	August 10, 2021	19.00
3.	Focus Business Solution Limited	1.22	19.00	July 13, 2021	14.06

The company has had 3 mandates in the past three years including the current Year.

*CMP for the above-mentioned companies is taken as of 11th April 2023.

As per the offer document, from the above-mentioned mandates, KCK Industries Limited has opened at a discount and the remaining mandates has opened at a premium on the listing date.



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IPO Note

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Recommendation

The company has been in the industry since 2018 and has decent experience in the industry. The management overview of the company is good.

The P/E on a post-IPO and annualised basis is around 18.42 times which makes it fairly priced by looking at the performance of the company and sector. The Sector P/E is 37.8 times.

The company operates in a competitive environment. The company has relatively less experience in the industry. The company does not seem to have a proper trend in the top line and the bottom line of its financials. Looking at the past performance the current revenue seems to be not sustainable. The company has seen a sudden surge in the profitability margins. The company is not utilising its net proceeds for anything unique. Thus, at the current P/E, we recommend **Risk Averse - Should Wait Risk Seekers - Should Apply** to this IPO and we believe it requires a few more years to have a strong footprint and sustainability.



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