

Fc Tecnrgy Private Limited (Revised)

December 15, 2022

Rating/Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Issuer rating Issuer Rating	0.00	CARE BB+ (Is); Stable [Double B Plus (Issuer Rating); Outlook: Stable]	Assigned
Total Instrument	0.00 (₹ Only)		

Details of instruments/facilities in Annexure-1.

@The Issuer Rating is subject to the company maintaining overall gearing not exceeding 1.5 times as on March 31, 2023.

Detailed rationale and key rating drivers

The ratings assigned to FC Tecnrgy Private Limited (FTPL) factor in fluctuating scale of operations and fluctuating profitability margins. Ratings of FTPL also constrained on account of high reliance on few major orders, high customer concentration and high dependence on the suppliers.

The ratings, however, derive strength from the qualified and experienced management, reputed & diversified clientele, efficient working capital management, comfortable operating cycle and stable industry outlook.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Improvement in the TOI over and above Rs.80 crore on sustainable basis
- Improvement in the overall profitability margins with PBILDT margin and PAT margin over 16% and 12% respectively on sustainable basis

Negative factors – Factors that could lead to negative rating action/downgrade:

- Deterioration in overall gearing above 1.5x
- Decline in the TOI below Rs.30 crore

Detailed description of the key rating drivers

Key Rating Weaknesses

Fluctuating scale of operations

Company has fluctuating scale of operations since last 5 years as revenue depend on few orders. During FY22, Total Operating Income (TOI) of FTPL increased by ~81% yo-y and continued to remain moderate at Rs.30.18 crore (P.Y.: Rs.15.3 crore). The growth in scale of operations was on account of new orders received by the company.

In FY21 there was decline in the sale from Rs.42.47 crore in FY20 to Rs.15.3 crore mainly on account of disruption caused by COVID 19 pandemic, however the same has been recovered in FY22 with total operating income of Rs.30.18 crore and the company has further recorded total operating income of Rs.58 crore in 8MFY23.

Fluctuating profitability margins

FTPL's operating profitability remains fluctuating as reflected by PBILDT margin remains between 6%-15.39% in past three years and PAT margins fluctuates between 4% to 11.85% in past three years. In FY22 profitability remains moderate with PBILDT and PAT margin of 12.15% (P.Y.: 15.39%) and 9.14% (P.Y.:11.85%). The decline is mainly on account of increase in the raw material price and direct expenses.

High reliance of revenue on few major orders for revenue.

At present FTPL is engaged in providing its intelligent, smart & connected energy solutions to organizations such as Indian Army, Bharat Electronics Ltd. (BEL), Defence Research Development Organisation (DRDO), Smart City Projects, etc. and FTPL receives order from these organisations based on their requirement on account of the same it is prone to risk of reliance on few major orders for revenue. Also in the last three years, majority of the company revenue are dependent on the Indian Army. Presently the company has order book of ~Rs.60 crore which comprise majority of the order from Indian Army.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

High dependence on the suppliers

The company is engaged in providing intelligent Energy and smart connected solutions with expertise in providing power at remote, off grid locations. For the same company importing 50% of the product requirement and are doing the assembly in India using its proprietary and patented technology. The company is heavily dependent on its suppliers for providing fuel cell as they have tie up with single supplier in Germany. Although the company is taking initiatives to set up the manufacturing plant in India in partnership with the same supplier, however the same has not yet commenced commercial production.

Key Rating Strengths**Experienced and qualified management**

FC Tecnrgy Private Limited is promoted by Colonel Karandeep Singh (Retired), served for 20 Years as an Infantry Officer in the Indian Army, has around 3.5 years Indian Information Technology (GIS) cum Defense Multi National Company as a Vice President. By 2012, he had identified renewable Energy as a future business focus after an extensive research and training. He decided to focus on Fuel Cells and alternative solutions which are a source of clean and reliable Energy along with the concept of Intelligent Power Management. FTPL is managed by a team of qualified and experienced management with Saurabh Nehra Chief Operation Officer (COO), Ravikant Vadlamani Technical Head and Biju Balakrishnan VP Sales.

Efficient working capital management:

FTPL has efficient working capital management as reflected by negative operating cycle at 74 days mainly on account of good credit period received by the company from its suppliers. Company usually credit period of 5-6 months from its suppliers. Further, most of the customers of the company are government organizations and they majorly clear their bills before March 31, 2022 on account of the same company has no debtors outstanding as on balance-sheet date. As on latest available date November 26, 2022, company has debtors of around Rs.3.46 crore.

Comfortable capital structure and debt coverage indicators:

The capital structure of FTPL continued to remain comfortable as marked by overall gearing of 0.02x as on March 2022 (P.Y.: 0.04x). Marginal improvement in the same was mainly on the back of lower outstanding working capital borrowings. Furthermore, debt equity ratio of the company is also comfortable at 0.02x in FY22 as against 0.04x in FY21. The debt coverage indicators of the company continued to remain moderate during FY22 marked by Total Debt/GCA of 0.07x (P.Y.: 0.13x) and PBILDT interest coverage of 26.7x (P.Y.34.25x).

Stable industry outlook for fuel cell:

Fuel cells have a number of advantages over traditional combustion-based technologies, which are being employed in a number of power plants and automobiles. When compared to combustion engines, fuel cells emit fewer or no emissions. As hydrogen fuel cells emit only water and no carbon dioxide, they can help to address crucial climate issues.

Furthermore, rising demand for portable devices, strict government restrictions aimed at reducing rising pollution levels, and improved fuel cell efficiency are some of the fuel cell market's major driving factors. The growing consumer awareness of clean energy solutions, as well as an increase in the use of favorable governmental subsidies to promote fuel cell electric vehicles, will boost the product demand in the transportation sector. The recent technological advancements, such as the incorporation of high efficiency portable technology, are more likely to create lucrative opportunities for the growth of the fuel cell market during the forecast period.

Liquidity: Adequate

Liquidity position of the company is adequate with cash and bank balance of ₹ 11.97 crore as on March 31, 2022. The cash accruals are sufficient, and the company has no term debt repayments obligations. Current ratio of the company also comfortable at 1.98x as on March 31, 2022 (1.14x as on March 31, 2021).

Analytical approach: Standalone**Applicable criteria**

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Issuer Rating](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

About the Company

The Company was founded in early 2016 by Col Karandeep Singh (Retd) who had taken early retirement to become an Entrepreneur. FC TecNrgy is the first company to commercialize Fuel Cells in India for the Defence & Homeland Security Domains. The Company has deployed over 500 Fuel Cell Solutions in India over the last four years with the CAPF, Smart Cities, and DRDO. The second business vertical is about Energy management, Microgrids, and Net Zero Energy buildings. FC TecNrgy is the exclusive partner of SFC Energy, Ag of Germany, one of the world's leading Fuel Cell companies since 2016, and has a similar partnership with Oorja Fuel Cells of Fremont, CA, USA.

The Company through its third business vertical has also set up end-to-end smart city/ smart campus projects with state-of-the-art connected solutions. Over the last few years, and with a couple of smart cities to its credit, FC TecNrgy has been able to integrate connected environments with sustainable energy. The company has invested substantially in R&D to develop its in-house Energy Management Systems and Special power banks. FC TecNrgy opened its US Subsidiary in Michigan, Known as FCT Energy in 2020.

Brief Financials (₹ crore)*	FY21 (A)	FY22 (A)	H1FY23 (Prov.)
Total operating income	15.30	30.18	48.07
PBILDT	2.35	3.67	NA
PAT	1.81	2.76	NA
Overall gearing (times)	0.04	0.02	NA
Interest coverage (times)	34.25	26.70	NA

A: Audited; Prov: Provisional

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Issuer Rating-Issuer Ratings		-	-	-	0.00	CARE BB+ (Is); Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Issuer Rating-Issuer Ratings	Issuer rat	0.00	CARE BB+ (Is); Stable				

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Issuer Rating-Issuer Ratings	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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