FC TECNRGY PRIVATE LIMITED

January 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Issuer rating	0.00	CARE BBB; Stable	Upgraded from CARE BBB-; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in ratings assigned to the bank facilities of FC Tecnrgy Private Limited (FCT) is on account of significant order book providing revenue visibility over the near term, significant growth in the total revenue generated by the company in FY24 and H1FY25, healthy profitability margins and comfortable capital structure, as there is very low reliance of company on external term debt backed by sufficient liquidity position. The rating also derive strength from the qualified and experienced management, efficient working capital management, comfortable operating cycle, experience and ability in providing fuel cell solutions The ratings, however, remain constrained by the high reliance of revenue on few major orders from Indian Army, High dependence on single supplier for fuel cell, sustainability of the business operations, continuous profitability of the company and rising competition in fuel cell industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in the TOI over and above Rs.400 crore while sustaining PBILDT margins above 20%
- Improvement in the Gross Cash accruals more than Rs. 55-60 crore on sustainable basis

Negative factors

- Decline in TOI below Rs.200 crore and/or profitability margins below 15% on PBILDT level.
- Moderation in TOL/TNW above 3x.
- Decline in Cash & Bank balance including FDs below Rs.50 crore.

Analytical approach: Standalone

Outlook: Stable

The "Stable" outlook reflects that the company is likely to benefit from its established relationship with the customers/suppliers and sustain the comfortable financial risk profile and adequate liquidity position with extensive experience of the promoters in this business.

Detailed description of key rating drivers:

Key strengths

Growing scale of operations and improving profitability margins

The scale of operations of the company improved significantly in FY24. TOI of the company improved by 3.62x and stood at Rs.291.85 crore. In H1FY25, company has already achieved the TOI of Rs.184.70 crore. Total operating income of the company improved on account of various purchase orders received from Indian Army. As on Sep 30, 2024, company has unexecuted order book of ~Rs.350.30 crore.

GCA of the company improved in FY24 to Rs.41.38 crore from Rs.14.61 crore in FY23. In H1FY25, GCA stood at Rs.30.98 crore.

Profitability of the company moderated in FY24 however stood comfortable as reflected from the PBILDT and PAT margins which stood at 17.39% and 14.11% respectively from 23.81% and 17.78% respectively in FY24. The moderation in profitability was mainly on account of increase in direct expenses such as raw material expense, employee expenses etc.

However, profitability of the company improved further during H1FY25, PBILDT margin and PAT margin stood at 21.98% and 16.62% respectively, owing to low direct expenses like raw material etc.

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

Improved capital structure and debt coverage indicators

FCT has comfortable capital structure as there is no major external term debt availed by the company. The networth of the company improved to Rs.65.73 crore during FY24 (PY: Rs.24.54 crore). The significant improvement in capital structure of FCT is marked by overall gearing of 0.35x as on March 2024 (P.Y.: 1.70x). The improvement in gearing was mainly on account of reduction in the reliance on customer advances and accretion of profits in the networth. The debt coverage indicators of the company continued to remain comfortable during FY24 marked by Total Debt/GCA of 0.56x (P.Y.: 2.86x) and PBILDT interest coverage of 36.06x (P.Y.25.39x).

Efficient working capital management

FCT has efficient working capital management as reflected by negative operating cycle at 21 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 based on their good relations. Further, most of the customers of the company are from ministry of defence who initiate orders through a tendering process. Upon receiving a purchase order, the company typically receives an advance payment of 10% - 15%. Subsequently, upon completion of production, the company receives 60% of the payment following Pre-Dispatch Inspection (PDI), with the remaining 25% to 30% disbursed upon joint receipt inspection on account of the same company has only 33 days of debtors outstanding as on March 31, 2024. Company dispatch orders in lots which leads to inventory days of 30-60 days.
As on Sep 30, 2024, company has debtors of around Rs.63.49 crore and payables of Rs.51.64 crore.

Key weaknesses

High reliance of revenue on few major orders form Indian Army

FCT, majorly undertakes orders of Indian army for the supply of fuel cell generators and hence, the order book continues to be concentrated with more than 80% of the total orders from Indian Army. From last three years, majority of the company revenue are dependent on the Indian Army. As on Sep 30, 2024, company has unexecuted order book of ~Rs.350.30 crore i.e. ~85% pertains to Indian Army only which exposes the company to client concentration risk. However, FCT is expanding into new sectors like smart cities, data centres, railways, central government projects and private projects to diversify its business.

High dependence on single supplier for fuel cell

The company is engaged in manufacturing of power backup system for various purposes including power backup in remote areas, village electrification, data centre power backup and others. For the same company require various products like fuel cells, cables, enclosures etc and are doing the assembly in India. The company is heavily dependent on its supplier SFC Energy for the supply of fuel cells. However, the risk is mitigated to some extent as FCT has good relations with SFC energy AG and on account of the same in June 2023, SFC Energy AG started has set up subsidiary in India namely SFC Energy India wherein FCT also hold 8% stake. SFC has an exclusive agreement with FCT till 2032 for supply of fuel cells, and major disruption or supply chain issues in SFC, can have major impact on the FCT operations and its ability to complete the orders in timely manner.

Sustainability of the business operations and profitability of the company

During FY24, the company experienced notable growth in total operating income while maintaining strong profitability. However, the sustainability of its operations and the maintenance of healthy margins in the future remain uncertain as company is operating in very niche product segment with high dependence on single customer base i.e. Indian Army with single supplier for fuel cell. Therefore, going forward the ability of the company to sustain the growth and profitability margin would be key rating sensitivity.

Rising competition in fuel cell industry in India

Presently FCT does not face much competition because of its unique product however fuel cell industry in India is expanding based on various factors such as increasing government support for clean energy initiatives, growing awareness of environmental issues, and advancements in fuel cell technology. As a result, both domestic and international companies are intensifying their efforts to capture market share and establish themselves as leaders in this rapidly evolving sector. This competitive landscape is fostering innovation, driving down costs, and expanding the range of fuel cell applications in India, ultimately benefiting consumers and accelerating the transition towards sustainable energy solutions.

Liquidity: Adequate

Liquidity position of the company is adequate as healthy gross cash accruals generated by the company amounting Rs.41.38 crore in FY24, which is envisaged to remain in stable in FY25 against no major term debt obligation.. FCT has cash and bank balance (including lien marked FDs) of Rs. 100.14 crore as on March 31, 2024 and Rs.67.89 crore as on Sep 30, 2024. Current ratio of the company also comfortable, as it remains above unity from past 5 years

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)
[Issuer Rating](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Manufacturing Companies](#)
[Financial Ratios – Non financial Sector](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Electrical Equipment	Other Electrical Equipment

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 2000 Fuel Cell Solutions in India over the last four years with the CAPF, Smart Cities, and Ministry of defence. 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. In June 2023, SFC Energy AG started production of Direct Methanol, Hydrogen Fuel Cells and Power Electronics Products in India under SFC Energy India wherein FCT hold 8% stake in SFC energy India.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	6MFY25(UA)
Total operating income	80.56	291.85	184.70
PBILDT	19.18	50.76	40.59
PAT	14.32	41.19	30.70
Overall gearing (times)	1.70	0.35	NA
Interest coverage (times)	25.39	36.06	39.36

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

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 and Rating Outlook
Issuer Rating-Issuer Ratings		-	-	-	0.00	CARE BBB; Stable

Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Issuer Rating-Issuer Ratings	LT	0.00	CARE BBB; Stable	-	1)CARE BBB-; Stable (22-Mar-24)	1)CARE BB+; Stable (26-Dec-22) 2)CARE BB+ (Is); Stable (15-Dec-22)	-

LT: Long term;

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

Annexure-4: Complexity level of instruments rated

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

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

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

Contact us

Media Contact	**Analytical Contacts**
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3444 E-mail: Ankur.sachdeva@careedge.in	Puneet Kansal Director **CARE Ratings Limited** Phone: +91-12-0445 2018 E-mail: puneet.kansal@careedge.in Akhil Kumar Associate Director **CARE Ratings Limited** Phone: +91-12-0445 1986 E-mail: akhil.kumar@careedge.in Shabnam Goyal Lead Analyst **CARE Ratings Limited** E-mail: shabnam.goyal@careedge.in

About us:

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