

Fives Combustion Systems Private Limited

March 06, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term / Short-term bank facilities	51.00 (Enhanced from 31.00)	CARE BBB+; Stable / CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to bank facilities of Fives Combustion Systems Private Limited (FCSPL) continue to derive comfort from strong parentage of well-established and experienced promoter, Fives Group. FCSPL being wholly owned subsidiary of the Fives group, derives continual support in terms of technology and new product line, its custom-built product profile, and reputed clientele base. The ratings further derive comfort from company's financial risk profile marked by healthy profitability, comfortable capital structure and debt coverage indicators and adequate liquidity.

The ratings, however, continue to remain constrained considering FCSPL's moderate scale of operations and susceptibility of its profit margins to fluctuation in raw material prices.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significantly growth in scale of operations with total operating income (TOI) of over ₹250 crore while maintaining healthy profitability and comfortable capital structure.
- Managing working capital efficiently, improvement in working capital cycle to less than 60 days

Negative factors

- Change in parentage, impacting operations of the company
- Higher-than-envisaged debt, leading to deterioration in capital structure with above unity overall gearing

Analytical approach: Standalone

Outlook: Stable

'Stable' outlook reflects CARE Ratings Limited's (CARE Ratings) expectation that the entity will continue benefiting from stable demand of its products with long track record and established presence of the parent group, which provides support from technical know-how and orders to enable the company to sustain its operational performance over the medium term.

Detailed description of key rating drivers:

Key strengths

Continual support from well-established and experienced promoter

FCSPL is a part of the Fives group, France (established in 1812), engaged in industrial engineering with network of over 100 operational units engaged in segments such as aerospace, aluminium, automotive, cement & minerals, chemicals & petrochemicals, energy, general machining, glass, logistics, oil & gas, steel and sugar in 30 countries across six continents. The Fives Group continues to provide support in technology, and new product line to expand business. FCSPL has also entered a manufacturing and license agreement with Fives Pillard (a Fives Group company specialised in manufacturing combustion equipment) for receiving technological support.

Reputed clientele

FCSPL is essentially engaged in manufacturing customised industrial burners and combustion systems for industries, which are critical components for manufacturing entities. The company caters to reputed customers from diverse industry segments, including cement, oil & gas, steel, other metals, chemicals, and other engineering. Customer concentration remained moderate marked by top five customers contributing ~53% of its total operating income (TOI) in FY24 [PY: 44%; FY refers to April 1 to March 31].

Customised product portfolio leading to healthy profitability

The company is essentially into manufacturing combustion systems and industrial burners for various industries which are critical in nature, and hence, commands healthy profitability. Operating profitability of FCSPL marked by profit before interest, lease,

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

depreciation and tax (PBILDT) margin increased significantly by 591 bps Y-o-Y to 29.17% in FY24 [PY: 23.26%]. The improvement was considering moderation in raw material prices and the company had made significantly high provisions in FY23 related to product installation which decreased by ~₹6.67 crore in FY24 as the same were not required further. Subsequently, profit after tax (PAT) margin also increased significantly by 674 bps Y-o-Y to 24.31% [PY: 17.57%].

Comfortable capital structure and strong debt coverage indicators

The company's capital structure remained comfortable marked by negligible debt as on March 31, 2024, comprising lease liability worth ₹0.11 crore. FCSPL had no outstanding fund-based working capital borrowings as on year end.

The tangible net worth (TNW) increased to ₹85.06 crore (₹66.51 crore as on March 31, 2023) considering accretion of profits to reserves.

With minimal reliance on debt, the debt coverage indicators remained strong marked by PBILDT Interest coverage of 42.35x and total debt/ gross cash accruals (GCA) of 0.01x.

Key weaknesses

Moderate scale of operations

FCSPL majorly receives orders from customers for their capex plans, resulting in the TOI of the entity remaining volatile due to capex and order-driven nature of business. In FY24, FCSPL's TOI declined by ~21% y-o-y and stood at ₹76.35 crore in FY24 against ₹96.12 crore in FY23 majorly considering lower order execution in FY24.

The company has achieved TOI of ₹96.47 crore in 9MFY25 and the full year's TOI is expected at ~₹137 crore.

FCSPL's order book increased significantly to ₹162.12 crore as on February 12, 2025 [PY: 120.84 as on January 29, 2024] providing revenue visibility for near to medium term.

Susceptibility of profit margins to fluctuation in raw material prices

Steel is the primary raw material for FCSPL, and the company does not enter long-term contract with suppliers for its procurement. As a result, FCSPL is exposed to raw material price fluctuation, as orders are fixed-price contracts, while steel prices fluctuate. Adverse price fluctuation may affect the profitability in the long run.

Liquidity: Adequate

FCSPL's liquidity remained adequate marked by moderate cash accruals against negligible repayment obligations towards lease liability, healthy unencumbered cash and bank balance, low working capital limit utilisation and moderate cash flow from operations (CFO). Unencumbered cash and bank balance with the company increased over the previous year and remained healthy at ₹87.29 crore as on March 31, 2024. FCSPL continued to have positive CFO of ₹41.44 crore in FY24 [PY: ₹6.72 crore]. Average fund-based working capital limit utilisation remained negligible in the last 12 months ended in December 2024, while non-fund-based limit utilisation remained at ~55% [PY: ~59%] in the same period. FCSPL reported GCA of ₹19.89 crore in FY24 against negligible lease obligations of ₹0.08 crore in FY25. Operating cycle elongated at 169 days in FY24 against 113 days in FY23 owing to significant decline in scale of operations further impacted by increase in inventory levels as on balance sheet date.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial products	Other industrial products

Fives Combustion Systems Private Limited (FCSPL; CIN: U74999GJ1981PTC079214) is engaged in manufacturing industrial burners and combustion equipment. On January 10, 2012, Fives Group, France (Fives) acquired 100% stake in FCSPL through its wholly owned subsidiary, Fives India Engineering & Projects Private Limited (FIEPL). Fives has a proven track record of over 200 years in designing and supplying process equipment, production lines, and turnkey plants catering to sectors including aluminium, steel, glass, automobile, cement, and energy among others.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	96.12	76.35	96.47
PBILDT	22.36	22.27	NA
PAT	16.89	18.56	NA
Overall gearing (times)	0.00	0.00	NA
Interest coverage (times)	45.32	42.35	NA

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
Fund-based - LT/ ST-Cash Credit		-	-	-	1.00	CARE BBB+; Stable / CARE A2
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	50.00	CARE BBB+; Stable / CARE A2

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	Fund-based - LT/ ST-Cash Credit	LT/ST	1.00	CARE BBB+; Stable / CARE A2	-	1)CARE BBB+; Stable / CARE A2 (20-Feb-24) 2)CARE BBB+; Stable / CARE A2 (05-Apr-23)	-	1)CARE BBB+; Stable / CARE A2 (23-Mar-22)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	50.00	CARE BBB+; Stable / CARE A2	-	1)CARE BBB+; Stable / CARE A2 (20-Feb-24) 2)CARE BBB+; Stable / CARE A2 (05-Apr-23)	-	1)CARE A2 (23-Mar-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short 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	Fund-based - LT/ ST-Cash Credit	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view 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

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About us:

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