Rating Rationale

September 15, 2025 | Mumbai

CFF Fluid Control Limited

Ratings upgraded to 'Crisil BBB+/Stable/Crisil A2'

Rating Action

Total Bank Loan Facilities Rated	**Rs.45 Crore**
Long Term Rating	**Crisil BBB+/Stable (Upgraded from 'Crisil BBB/Positive')**
Short Term Rating	**Crisil A2 (Upgraded from 'Crisil A3+')**

Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

Crisil Ratings has upgraded its ratings on the bank facilities of CFF Fluid Control Ltd (CFF) to '**Crisil BBB+/Stable/Crisil A2'** from 'Crisil BBB/Positive/Crisil A3+'.

The upgrade reflects the improvement in the business and financial risk profiles of the company and its expected sustenance of the same in medium term. Revenues have increased to Rs 146 crores in fiscal 2025 from Rs 107 crores last year. The increase in growth is attributed to steady increase and rotation in the order book of the company, driven by established relationships with its customers. This, with healthy operating margin, has helped the company achieve cash accruals of above Rs 28 crore in fiscal 2025 and the same is expected to sustain over the medium term. The financial risk profile has also improved, with the follow-on public offer (FPO) of Rs 87.75 crore in July 2025, leading to better capital structure and debt protection metrics.

The ratings reflect the extensive experience and technical capabilities of the promoters in the defence equipment industry, benefits of the company's empanelment and global tie-ups, and healthy order book with established clientele, and comfortable financial risk profile. These strengths are partially offset by its working capital-intensive operations and susceptibility of revenue and profitability to risks inherent in the tender-based business.

Analytical Approach

Crisil Ratings has considered the standalone business and financial risk profiles of CFF.

Key Rating Drivers & Detailed Description

Strengths:

Extensive industry experience and technical capabilities of the promoters, and benefits of the company's empanelment and global tie-ups: Experience of more than three decades in the defence equipment industry has given the promoters an understanding of the market dynamics and enabled them to establish relationships with suppliers and customers. CFF has developed strong engineering and design capabilities, which have helped it meet the changing demands of its customers. The company is recognised as the authorised equipment manufacturer by the Indian Navy for the equipment that it manufactures and services. This enables it to obtain repeat orders for items and spares as and when required by the Indian Navy and enables it to provide repair services to the Indian Navy as a single-source vendor. Also, CFF has the necessary certifications and registrations with various entities, including defence public sector shipyards. The company's revenue has improved over the past three fiscals through 2025 as reflected in the three-year compound annual growth rate (CAGR) of 46%.

CFF has entered into tie-ups with global entities from time to time to strengthen its technical know-how. The company currently has technical tie-ups with M/s Nereides and M/s Minerva Issartel of France. These tie ups further support the business risk profile of the company.

Healthy order book with established clientele: CFF's strong market presence has enabled it to maintain healthy order book of around Rs 537 crore as of July 2025. This provides healthy revenue visibility over the medium term. Furthermore, the company has a wide product portfolio which finds application in diverse sectors such as defence (manufacturing and servicing of shipboard machinery, critical component systems and test facilities for submarines and surface ships) and energy (manufacturing critical equipment and systems). CFF has a diversified customer base which ranges from government arms and organisations involved in the defence, shipbuilding and energy sectors.

Comfortable financial risk profile: CFF's capital structure has been healthy due to low reliance on external funds, yielding gearing of 0.15 time and total outside liabilities to adjusted networth (TOLANW) ratio of 0.37 time as on March 31, 2025. The debt protection metrics have also been healthy due to low leverage and healthy profitability. The interest coverage and net cash accrual to total debt (NCATD) ratios were above 18 times and 1.33 time, respectively, for fiscal 2025, and are expected at similar levels over the medium term.

Weaknesses:

Working capital-intensive operations: The company had gross current assets (GCAs) of 402 days as on March 31, 2025. The large working capital requirement arises from sizeable inventory due to the nature of business. The lead time is high as the company manufactures critical components required in manufacturing ships and submarines by the India Navy. The inventory stood at 210–250 days during the three fiscals through March 2025 and is expected at a similar level over the medium term. The stretched GCAs are also because of the increase in current assets, which include retention money and advances to suppliers.

Susceptibility of revenue and profitability to risks inherent in tender-based business: While CFF has a diversified product profile with different products providing different profitability, its business performance depends entirely on the nature of tenders from its customers. As a result, both the scale of operations and profitability are expected to remain volatile. Though the operating margin improved in the first quarter of fiscal 2025 because of improved product mix, the sustenance of healthy margin will be monitorable over the medium term.

Liquidity: Adequate

Fund-based bank limit utilisation was moderate at 80% on average for the 12 months through July 2025. Annual cash accrual is expected to be above Rs 30 crore against yearly term debt obligation of Rs 2.13–2.18 crore over the medium term and will cushion liquidity. The current ratio was healthy at 3.5 times as on March 31, 2024. CFF had cash and bank balance of Rs 2.6 crore as of March 2025. Low gearing and moderate networth support financial flexibility and will provide financial cushion during adverse conditions or downturns in the business.

Outlook: Stable

Crisil Ratings believes CFF will continue to benefit from the extensive experience of its promoters and established relationships with clients.

Rating sensitivity factors

Upward factors

- Steady revenue growth and sustenance of the operating margin, leading to cash accrual maintained above Rs 42-45 crore
- Sustenance of the financial risk profile

Downward factors

- Decline in net cash accrual below Rs 22 crore on account of fall in revenue or operating profit
- Large, debt-funded capital expenditure weakening the capital structure
- Steep increase in the working capital requirement weakening the liquidity and the financial risk profile

About the Company

CFF (previously known as Flash Forge Fluid Control Pvt Ltd) was incorporated in February 2012. The company manufactures and services shipboard machinery, critical component systems and test facilities for submarines and surface ships for the defence sector. It also designs, manufactures and provides services related to mechanical equipment and systems for industries such as nuclear and clean energy. CFF's facility at Khopoli in Maharashtra is spread over 6,000 square metre. CFF is listed on the SME (small and medium enterprises) platform of the Bombay Stock Exchange. The company is managed by Mr Sunil Menon (Managing Director) and Mr Gautam Makkar (Director).

Key Financial Indicators

As on/for the period ended March 31		2025	2024
Operating income	Rs crore	145.56	106.86
Reported profit after tax (PAT)	Rs crore	23.85	16.12
PAT margin	%	16.39	15.09
Adjusted debt/adjusted networth	Times	0.15	0.20
Interest coverage	Times	18.08	12.59

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

Crisil Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

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Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Crore)	Complexity Levels	Rating Outstanding with Outlook
NA	Bank Guarantee	NA	NA	NA	20.00	NA	Crisil A2
NA	Cash Credit	NA	NA	NA	15.00	NA	Crisil BBB+/Stable
NA	Term Loan	NA	NA	31-Mar-27	7.00	NA	Crisil BBB+/Stable
NA	Working Capital Term Loan	NA	NA	31-Mar-26	3.00	NA	Crisil BBB+/Stable

Annexure - Rating History for last 3 Years

	Current			2025 (History)		2024		2023		2022		Start of 2022
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	25.0	Crisil BBB+/Stable		--	30-11-24	Crisil BBB/Positive		--		--	--
Non-Fund Based Facilities	ST	20.0	Crisil A2		--	30-11-24	Crisil A3+		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	**20**	**Axis Bank Limited**	**Crisil A2**
Cash Credit	**15**	**Axis Bank Limited**	**Crisil BBB+/Stable**
Term Loan	**7**	**Axis Bank Limited**	**Crisil BBB+/Stable**
Working Capital Term Loan	**3**	**Axis Bank Limited**	**Crisil BBB+/Stable**

Criteria Details

Links to related criteria
Basics of Ratings (including default recognition, assessing information adequacy)
Criteria for manufacturing, trading and corporate services sector (including approach for financial ratios)

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