



# CFF Fluid Control Limited

Recommendation: **APPLY!**

**Business - CFF Fluid Control Limited** is engaged in manufacturing and servicing of Submarine machinery, critical component systems and test facilities for Indian Defence PSU Shipyard.

## Objects of the Issue -

Particulars	Amount
Working capital requirements	Rs. 72.60 Cr.
General Corporate Purposes	Rs. 8.33 Cr.

**Promoters Name -** Sunil Menon and Gautam Makker

Promoter Share Holding Pattern	
Pre Issue	Post Issue
73.30%	68.06%

## Rationale for recommendation -

**CFF Fluid Control Limited**, incorporated in Feb-2012, manufactures mission-critical systems for defence applications and operates in a highly competitive industry. As of May-2025, it holds an order book of Rs. 51,396.87 Lakhs, with over 90% comprising orders from Indian Defence PSU Shipyards. The company exhibits high customer concentration, with the top 10 customers contributing over 97% of revenue in FY25 and supplier concentration, with the top 5 suppliers accounting for 73.38% of purchases in the same year. It is currently involved in tax proceedings amounting to Rs. 811.99 Lakhs, while its promoters face additional proceedings totalling Rs. 388.82 Lakhs. Revenue grew by 51.22% in FY24 and 36.22% in FY25, driven by higher deliveries, with EBITDA and PAT margins improving to 28.01% and 16.39% in FY25, respectively. Although RoCE and RoE declined to 22.62% and 16.13% in FY25, indicating reduced capital efficiency, the company continues to maintain a RoE higher than most of its peers. Despite consistent net profit growth, operating cash flows remained negative due to increased receivables and inventory levels. The company has strengthened its debt-to-equity position, enhancing its ability to raise future borrowings. Management quality is satisfactory, although there is limited experience noted in the role of the Company Secretary. To address its continued working capital challenges post-listing in Jun-2023, the company is raising funds through a Follow-on Public Offer (FPO). With a post-issue P/E ratio of 51.45 (slightly highly priced), strong order book, operating in stable and government-sponsored sector and an issue price of Rs. 585 per share—offered at a discount to the current market price—we recommend **APPLY** to the FPO, while closely monitor the company's ability to sustain return ratios and efforts to improve working capital efficiency for long-term investment viability.

## IPO Details

Opening Date	Jul 09, 2025
Closing Date	Jul 11, 2025
Allotment Date	Jul 14, 2025
Listing Date	Jul 16, 2025
Stock Exchange	BSE SME
Lot Size	200 Shares
Issue Price Per Share	₹585
Issue Size	87.75 Cr.
Fresh Issue	87.75 Cr.
Offer for Sale	-
Application Amt	₹ 2,34,000 (400 shares)

## KPIs

(In Lakhs)

KPI's	FY 23	FY 24	FY 25
Revenue	7,066.63	10,685.91	14,556.05
EBITDA	1,839.50	3,073.71	4,077.21
Net Profit	1,013.59	1,708.78	2,385.04
RoCE	30.85%	19.84%	22.62%
ROE	40.56%	13.57%	16.13%
P/E	82.39	63.52	47.76

## Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	12.25	11.37
BVPS	75.92	70.49
P/E	47.76	51.45
P/BV	7.71	8.30
Mkt Cap (In Cr)	1,139.23	1,226.98

\*Annualized

## Lead Managers -

**Aryaman Financial Services Limited**

## Registrar -

**Cameo Corporate Services Limited**

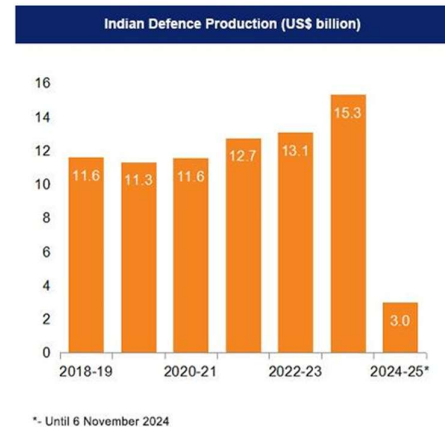
## Industry Overview –

The marine vessels market includes the manufacture, operation and maintenance of a wide range of ships and boats used for commercial, military and recreational reasons. This comprises cargo ships, tankers, passenger ships, naval ships and specialized vessels such as offshore support ships. Advancements in vessel design, propulsion systems and environmental technology have all had an impact on the market. The key factor driving the growth of the worldwide Marine Actuators and Valves Industry is the increase in global commercial trade and the spike in demand for high-precision motion control devices on board marine vessels.

India is one of the strongest military forces in the world and holds a place of strategic importance for the Indian government. The top three largest market segments of the Indian defence sector are military fixed wing, naval vessels and surface combatants and missiles and missile defence systems. Military rotorcraft, submarines, artillery, tactical communications, electronic warfare and military land vehicles are some of the other well-known segments. Some of the major defence manufacturing companies in India are Bharat Earth Movers Ltd. (BEML), Bharat Electronics Ltd. (BEL) and Hindustan Aeronautics Ltd. (HAL).

**Market Size** - Marine vessels global market size was valued at US\$ 155.2 billion in 2023 and is projected to reach US\$ 172.3 million by 2030 at a CAGR of 1.8% from 2024-2030. The global defence market size has grown strongly in recent years. It will grow from \$491.06 billion in 2024 to \$527.06 billion in 2025 at a compound annual growth rate (CAGR) of 7.3%. India's Defence exports crossed Rs. 21,000 Cr. (US\$ 2.43 billion) in CY24 with a target of Rs. 50,000 Cr. (US\$ 5.8 billion) by 2029. India's defence import value stood at US\$ 463 million for FY20 and US\$ 469.5 million in FY21.

**Outlook** - India's marine vessels market is poised for robust growth—with India's domestic segment (including cargo, naval and offshore support vessels) expected to expand at a CAGR of around 7–15% through 2029–31, fuelled by port infra upgrades, "Make in India" green-shipping initiatives and naval modernization efforts.



(source : RHP)

## Business Overview –

**CFF Fluid Control Limited** is engaged in manufacturing and servicing of Submarine machinery, critical component systems and test facilities for Indian Defence PSU Shipyard. The company has in-house capabilities and proficiency in design, manufacturing and providing service for fluid control systems, distributor and air panels, Weapons and Control Systems, Steering gear, Propulsion Systems, High Pressure Air Systems, Hydraulics Systems, Breathing and Diving Air Systems and Integrated Platform Management Systems for submarines and surface ships for the Indian Defence PSU Shipyard and its OEMs. The company was originally incorporated as Flash Forge Fluid Control Private Limited on Feb 16, 2012. The company was listed on stock exchange in Jun-2023.

**Order Book** – Rs. 51,396.87 Lakhs of which over 90% pertains to orders from Indian Defence PSU Shipyard as of May-2025.

**Company's Partners** – Nereides (France), Atlas Elektronik GMBH (Germany) and Naval Group (France)

**Company's supplies** - Fluid Systems for Submarines, Naval Vessels, Antenna and Navigation Systems for Submarines and Weapon Systems (Torpedo, Tubes and Fire Control)

**Company's Products** – Sonar System, DE-GT Exhaust Infrared Suppression System, Steering Gear System, Torpedo Launching System, Buoyant Wire Antenna System, HVAC System, Submarine Diesel Engine Intake and uptake Exhaust System, Integrated Platform Management System (IPMS) and Major Refit Life Cycle



- The company's major raw materials are Nickel- Aluminium- Bronze (NAB), Copper- Nickel (CUNI), Copper- Aluminium (CUAL) and Titanium.
- The company operates in a segment that demands zero tolerance for errors, as it manufactures life- and mission-critical components and systems.

## Business Strategies -

- The company seeks to raise FPO funds to maintain a well-funded, interest-free working capital base essential for supporting its long-gestation, credit-intensive defence manufacturing operations and sustained order book execution.
- Increase market position and market size by penetrating deeper into defence industry.
- Deploy new technologies and improve operating efficiencies.

FINANCIAL SNAPSHOT							
Key Performance Indicators				Key Ratios			
(Amt in Lakhs)							
Particulars	FY23	FY24	FY25	Particulars	FY23	FY24	FY25
P&L Statement				Per Share Data			
Total Income	7,109.94	10,697.57	14,609.79	Diluted EPS	7.10	9.21	12.25
Total Expenses	5,670.15	8,297.43	11,315.65	BV per share	17.51	64.67	75.92
EBITDA	1,839.50	3,073.71	4,077.21	Operating Ratios			
EBIT	1,707.55	2,628.45	3,464.08	EBITDA Margins	26.03%	28.76%	28.01%
PBT	1,439.79	2,400.14	3,294.14	PAT Margins	14.34%	15.99%	16.39%
Tax Expenses	426.20	691.36	909.10	Inventory days	193.07	180.44	150.49
Net Profit	1,013.59	1,708.78	2,385.04	Debtor days	42.12	30.22	150.01
Balance Sheet				Creditor days	56.23	12.72	83.15
<b>Total Equity</b>	<b>2,498.93</b>	<b>12,593.62</b>	<b>14,783.91</b>	Return Ratios			
<b>Liabilities</b>				RoCE	30.85%	19.84%	22.62%
Non-Current Liabilities	3,035.93	653.76	528.98	RoE	40.56%	13.57%	16.13%
Current Liabilities	3,333.15	2,868.57	4,589.80	Valuation Ratios (x)			
<b>Total Liabilities</b>	<b>6,369.08</b>	<b>3,522.33</b>	<b>5,118.78</b>	EV/EBITDA	3.77	4.30	4.08
<b>Assets</b>				Market Cap/Sales	11.82	10.66	7.83
Non-Current Assets	2,677.07	3,956.55	3,885.38	P/E	82.39	63.52	47.76
Current Assets	6,190.93	12,159.40	16,017.31	Price to Book Value	33.42	9.05	7.71
<b>Total Assets</b>	<b>8,868.00</b>	<b>16,115.95</b>	<b>19,902.69</b>	Solvency Ratios			
Cashflow Statement				Debt/Equity	1.84	0.19	0.14
Operating Cashflow	-927.20	-2,675.37	-321.77	Current Ratio	1.86	4.24	3.49
Investing Cashflow	-1,939.46	-1,659.53	-490.92	Quick Ratio	0.74	2.40	2.19
Financing Cashflow	2619.28	5904.32	-654.88	Asset Turnover	0.80	0.66	0.73
				Interest Coverage	5.49	10.95	15.49
				Ratio			

## Financial Analysis –

- **Revenue from Operations** – The company's top line increased by 51.22% in FY24 and 36.22% in FY25 was due to increase in the delivery of products.
- **EBITDA and PAT Margins** – The company's EBITDA margin improved from 26.03% in FY23 to 28.01% in FY25 and PAT margin improved from 14.34% to 16.39% over the same period, primarily due to decrease in material COGS as a percentage of revenue.
- **RoCE and RoE** – The company's RoCE and RoE have shown a declining trend, with RoCE decreasing from 30.85% in FY23 to 22.62% in FY25 and RoE falling from 40.56% to 16.13% over the same period, indicating reduced efficiency in capital and equity utilization.
- **Operating cashflow** – The company has negative operating cashflows over the years, primarily due to increase in inventory and trade receivables.
- **D/E ratio** – The company has progressively reduced its debt-to-equity (D/E) ratio over the years, enhancing its credit profile and providing it with greater flexibility to raise additional debt in the future, which is beneficial given its high working capital requirements.
- **Net profit** – The company is able to increase net profit over the years, factors contributing increase in order book, growth in revenue by delivering the order as per schedules, economies of scale and decrease in cost over years.

## Lead Manager –

The lead manager of the issue is Aryaman Financial Services Limited. The lead manager has managed 14 IPOs in last 3 years, among them 11 IPOs have opened in premium, 2 IPOs have opened at par and 1 IPO has opened in discount to their issue price on their respective listing dates.

## Risk Factors -

- The company has 4 tax proceedings against it, amounting to Rs. 811.99 Lakhs and company's promoters have 12 tax proceedings amounting to Rs. 388.82 Lakhs.
- The company has customer concentration, top 10 customers contributing 100% of revenue in FY23 and FY24 and 97.04% of revenue in FY25.
- The company has supplier concentration, top 5 suppliers contributing 88.54%, 74.56% and 73.38% of purchases in FY23, FY24 and FY25 respectively.
- The company has significant working capital requirements, which may necessitate raising additional capital in the future once the proceeds from the current issue have been fully utilized.

## Key Management

- Sunil Menon is the Managing Director of the company. He has more than 30 years of experience in businesses like defence and engineering company.
- Gautam Makker is the Chairman and Non-Executive Director of the company. He has more than 25 years of experience in the fields of sourcing and providing solutions to defence, power and marine industry.
- The company's Non-Executive Independent Directors are qualified and have experience in their respective fields.
- Chief Financial Officer has 19 years of experience, Head-Operation has 26 years of experience but Company Secretary and Compliance Officer has only 3 years of experience.

**Outlook** – The overall management of the company is considered **satisfactory**, although there is a noted observation regarding the moderate experience of Company Secretary (CS).

## Peer Analysis

Particulars	CFF Fluid Control Limited			Data Patterns (India) Limited			MTAR Technologies Limited			Bharat Electronics Limited			Paras Defence and Space Technologies Limited		
	FY 23	FY 24	FY 25	FY 23	FY 24	FY 25	FY 23	FY 24	FY 25	FY 23	FY 24	FY 25	FY 23	FY 24	FY 25
NP Margin	14.34%	15.99%	16.39%	26.80%	32.11%	29.39%	17.43%	9.57%	7.76%	16.57%	19.03%	21.71%	15.63%	12.25%	17.03%
EBITDA Margin	26.03%	28.76%	28.01%	39.13%	47.30%	42.58%	29.24%	20.20%	18.50%	24.26%	27.33%	30.91%	28.55%	23.58%	28.22%
RoCE	30.85%	19.84%	22.62%	13.19%	18.75%	19.68%	21.45%	11.92%	11.14%	26.41%	30.17%	34.31%	12.48%	10.31%	13.53%
ROE	40.56%	13.57%	16.13%	10.62%	13.72%	14.71%	16.68%	8.30%	7.24%	21.53%	24.41%	27.02%	8.73%	7.21%	9.86%
EPS (INR)	7.10	9.21	12.25	22.99	32.45	39.62	33.62	18.24	17.19	4.08	5.45	7.28	9.25	8.22	16.02
P/E	82.39	63.52	47.76	59.84	74.64	42.43	47.04	92.31	74.49	23.91	36.97	38.46	25.42	37.21	30.77

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