

March 31, 2026

Federal Engineers: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term/Short term – Fund-based limits	6.00	6.00	[ICRA]BBB+(Stable)/ [ICRA]A2+; reaffirmed
Short term – Non-fund based limits	7.00	7.00	[ICRA]A2+; reaffirmed
Total	13.00	13.00	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation considers Federal Engineers' healthy financial profile, characterised by strong return metrics, capitalisation and debt coverage indicators with sufficient liquid investments owing to healthy cash flow from operations and minimal borrowings. The ratings also draw comfort from the firm's strong liquidity position, supported by healthy free cash and bank balance of ~Rs. 90 crore as on December 31, 2025. The ratings also continue to factor in the extensive experience of the promoters in the electrical overhead travelling crane manufacturing business and a geographically diversified reputed customer base. ICRA also notes the healthy revenue growth demonstrated by the firm over the last two years. The revenue, although is expected to witness slight de-growth in FY2026 owing to stuck order deliveries to Iraq due to the ongoing West-Asia conflict.

The ratings, however, remain constrained by the firm's modest scale of operations over the years and its susceptibility to the cyclicity in investments in the steel sector, which drives majority of its total revenues. Further, the firm's profitability is susceptible to raw material price fluctuations, given its long operating cycle and fixed-price contracts. FE also remains susceptible to foreign exchange risk. ICRA also notes the high client concentration risks as majority of the revenues are derived from a small set of customers as of now.

Further, ICRA takes note of the ongoing conflict in West-Asia and its potential impact on the execution of pending orders and order inflows from the Middle East. ICRA will continue to monitor the developments on this front and the impact on the credit profile of Federal Engineers.

The Stable outlook on the [ICRA]BBB+ rating reflects ICRA's expectation that the firm will continue to maintain a comfortable financial profile, supported by a healthy liquidity buffer, absence of any aggressive debt-funded capex plans and adequate profitability levels, given the customised product profile.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters in crane manufacturing – FE has an established track record of close to five decades in the crane manufacturing business. At present, the operations are managed by Mr. Zubein Buhariwalla, the son of founder promoter, Mr. Dhun Buhariwalla. Mr. Zubein has been associated with the firm for the last two decades.

Healthy financial profile – The firm's profitability has remained healthy, reflected in an RoCE in the range of 47.5%-54% over the last three fiscals. This, coupled with negligible borrowing levels, has resulted in robust interest coverage \. Going forward,

ICRA expects the firm to continue to maintain a comfortable capital structure and debt coverage metrics, supported by healthy profitability and absence of any aggressive debt-funded capex plans.

Reputed customer profile and geographical diversification – FE has a reputed customer profile in the steel and engineering sectors. Additionally, it caters to the export market, which provides geographical diversification to the company’s revenues. Export sales contributed to 32% of the revenue in FY2025 and 30% in FY2024. A reputed customer profile and geographical diversification helps to mitigate the firm’s counterparty credit risk and the risk of slowdown in any particular geography.

Credit challenges

Operations exposed to cyclical investment in steel industry - FE derives approximately 95% of its revenues from the steel sector. Thus, its operations are vulnerable to the cyclical investment in the steel industry as well as to the slowdown in the global market. Due to the cyclical investment in the business, the revenues have been fluctuating over the years.

Exposure to fluctuation in steel prices and foreign exchange rates – The operating cycle/inventory conversion period for manufacturing cranes (including designing) is around 3-12 months. A lengthy operating cycle keeps the margins vulnerable to fluctuations in steel prices due to the fixed-price contracts with customers. The margins also remain susceptible to fluctuations in currency markets as the firm derives a significant proportion of its revenues from exports.

Moderate scale of operations – The firm’s scale of operations has remained modest, with an operating income of Rs. 240.4 crore in FY2025. The revenue, although is expected to witness slight de-growth in FY2026 owing to stuck order deliveries to Iraq. The company had an order book position of Rs. 200 crore as on February 28, 2025, which provides revenue visibility in the near term. The firm’s ability to scale up its operations by ensuring a healthy inflow of orders and execute them in a timely manner while sustaining robust profitability levels would remain a key rating monitorable.

Risks of capital withdrawal due to status as a partnership firm – FE remains susceptible to the risks associated with its status as a partnership firm, including the risk of capital withdrawal. However, ICRA takes comfort from the firm’s comfortable liquidity profile.

Liquidity position: Strong

Federal Engineers’ liquidity remains strong, supported by healthy profit levels and absence of any long-term debt. As of December 31, 2025, the company had healthy cash and bank balance of ~Rs. 90 crore and is being kept in FDs making the liquidity healthy. The utilization of fund-based working capital limits has remained minimal, at 5%, offering healthy liquidity cushion and over the last 5-6 months, the company has not utilized its fund based facilities at all.

Rating sensitivities

Positive factors – The ratings could be upgraded if the firm is able to significantly scale up its revenues while maintaining healthy profitability levels and diversifying the user industry as well as client base, amid maintaining a healthy liquidity profile. Strengthening of the tangible net worth owing to healthy accruals will also remain critical for a rating upgrade.

Negative factors – Pressure on the ratings could emerge if a slowdown in demand from the end-user industries materially impacts the scale of operations and profitability on a sustained basis. Any large debt funded capex or stretch in the working capital cycle that deteriorates the liquidity and credit metrics on a sustained basis will also be a trigger for downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the company’s standalone financial statements

About the company

Established in 1973, Federal Engineers (FE) is a partnership firm engaged in the manufacturing of Electrical Overhead Travelling (EOT) cranes and other industrial cranes. The firm has its registered office and two manufacturing units at Navi Mumbai and Ambarnath MIDC, Mumbai spread over an area of 4,000 sq. meters and 17,000 sq. meters respectively. The manufacturing units were set-up in Mahape and Ambarnath in December 1993 and August 2010, respectively.

FE manufactures various types of cranes i.e. EOT cranes, transfer trolley and rotating trolley cranes that provide lifting solutions to various industries like steel, power, heavy engineering and automobile industries. Around 70-80% of the total sales are to the steel manufacturing units and the rest are to the heavy machinery manufacturing units.

The cranes manufactured by FE for the steel industry are used for hot metal handling, ingot/billet handling, coil yards, cut-to-length lines, steel stock yards, forge shops and foundries.

The primary raw material comprises mild steel (MS) plates, which are mainly procured from Mumbai and nearby regions. Apart from that, firm also requires electric motors, forgings (wheels, gear pinion & shafts) and electric wires & cables that are procured from their fixed set of suppliers.

Federal Engineers sells cranes in the domestic as well as overseas market i.e. Saudi Arabia, Pakistan, Bangladesh, Iran, Ghana etc. Exports typically account for approximately 50% of the firm's revenues.

Key financial indicators (audited):

	FY2024	FY2025	11M FY2026*
Operating income	190.9	240.4	214.4
PAT	33.2	40.7	51.2
OPBDIT/OI	26.6%	26.1%	22.3%
PAT/OI	17.4%	16.9%	23.9%
Total outside liabilities/Tangible net worth (times)	0.8	0.7	0.6
Total debt/OPBDIT (times)	0.0	0.0	0.0
Interest coverage (times)	122.7	317.2	80.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; *Provisional results

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2026)			Chronology of rating history for the past 3 years						
Instrument	Type	Amount rated (Rs. crore)	FY2025		FY2024		FY2023		
			Mar 31, 2026	Date	Rating	Date	Rating	Date	Rating
Packing credit/Post-shipment credit	Long term and short term	6.00	[ICRA]BBB+ (Stable)/ [ICRA]A2+	Feb 27, 2025	[ICRA]BBB+ (Stable)/ [ICRA]A2+	Nov 24, 2023	[ICRA]BBB+ (Stable)/ [ICRA]A2+	Oct 25, 2022	[ICRA]BBB+ (Stable)/ [ICRA]A2+
Bank guarantee	Short term	6.00	[ICRA]A2+	Feb 27, 2025	[ICRA]A2+	Nov 24, 2023	[ICRA]A2+	Oct 25, 2022	[ICRA]A2+
Letter of credit	Short term	1.00	[ICRA]A2+	Feb 27, 2025	[ICRA]A2+	Nov 24, 2023	[ICRA]A2+	Oct 25, 2022	[ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity indicator
Packing credit/Post-shipment credit	Simple
Bank guarantee	Simple
Letter of credit	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Packing credit/Post-shipment credit	NA	NA	NA	6.00	[ICRA]BBB+ (Stable) / [ICRA]A2+
NA	Bank guarantee	NA	NA	NA	6.00	[ICRA]A2+
NA	Letter of credit	NA	NA	NA	1.00	[ICRA]A2+

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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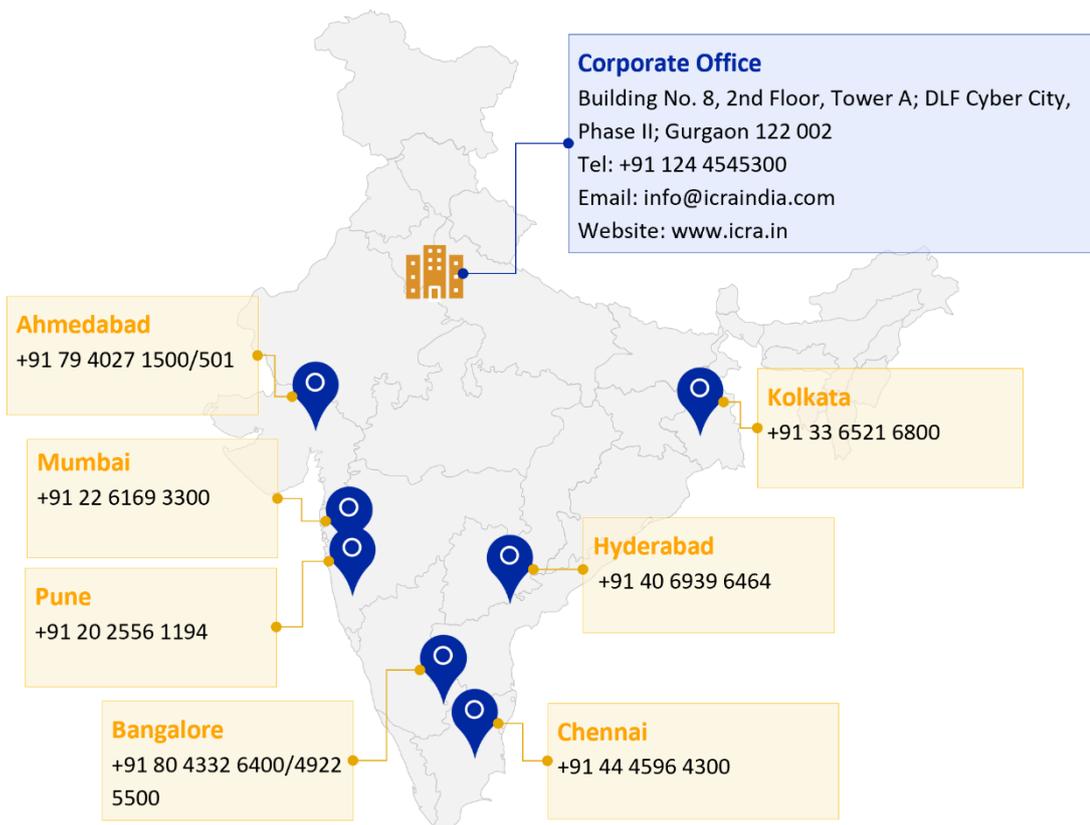
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