

Forbes & Company Limited

January 02, 2024

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	42.58 (Reduced from 126.20)	CARE BBB- (RWD)	Continues to be on Rating Watch with Developing Implications
Short Term Bank Facilities	7.50 (Reduced from 23.50)	CARE A3 (RWD)	Continues to be on Rating Watch with Developing Implications

Details of facilities in Annexure-1.

CARE continues to place the ratings of Forbes & Company Limited (FCL) on "Credit watch with Developing implications" on account of proposed demerger of its precision tools business to newly formed wholly owned subsidiary, Forbes Precision Tools and Machine Parts Limited (FPTL). As per the scheme of arrangement between FCL & FPTL, FPTL will issue shares to the shareholders of FCL in the ratio of 4:1 and the shares held by FCL in FPTL upon completion of demerger scheme shall be cancelled. Hence, FPTL shareholding pattern will mirror the shareholding pattern of FCL post completion of demerger scheme and will be listed on BSE Ltd. FCL has received approval for the transaction from stock exchange, however, it is yet to receive approval from National Company Law Tribunal (NCLT). The demerger of precision tools business is expected to reduce the overall revenue with precision tools business contributing about 83% and 42% to standalone and consolidated revenue respectively for FY23. However, it is also expected to result in reduction in overall debt at FCL standalone level to negligible. CARE is monitoring developments in this regard and shall review the rating when greater clarity emerges.

Rationale and key rating drivers

The ratings assigned to bank facilities of Forbes & Company Limited (FCL) continue to derive strength from the satisfactory performance progress of the ongoing real estate project (Vicinia- Phase II) with significant project completed & sold and satisfactory financial performance during FY23 (refers to period April 01 to March 31) and H1FY24. The ratings also factor in significant reduction in debt at consolidated level in FY23 from proceeds received from successful completion of monetisation of assets including sale of land and shipping & facility service business. Further, the ratings also take cognizance of the liquidation/dissolvement of European subsidiaries in H1FY24. With the liquidation, no further losses from overseas operation is expected going forward.

The rating strengths are however, tempered by the relatively moderate size and scale of operation, profitability susceptible to fluctuation in input prices, performance of engineering division likely to be impacted by the cyclicity in the auto industry and subdued performance of the IT business. Further, with the proposed demerger, the Precision tool business would get demerged which may result in significant scaling down of business operation. Thus, the ability of the company to scale up the residual engineering business would drive the growth prospect. Also, the company has large land bank and any aggressive debt funded development project plan would be a key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Scaling up of the residual engineering business operation and improvement in profitability

Negative factors

- Any large debt addition/support to group entities impacting the liquidity/financial position
- Adverse impact on the financial position of the company with demerger of the precision tool business

Analytical approach: Consolidated as there exists business, financial and management linkage with the subsidiaries. The list of companies consolidated is attached as Annexure 6.

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

Outlook: Not applicable

Detailed description of the key rating drivers:

Key strengths

Satisfactory performance of ongoing real estate project: The company has undertaken development of residential real estate project by the name of 'Vicinia'. The project is undertaken along with another group entity; Paikar Real Estate Limited with share of each at 50%. The development under FCL comprises 294 units under Phase I & II. Phase I has been completed and flats handed over to customers. The Phase II is expected to be completed by March 2024 and will then be handed over to the customers. Out of the total 294 units, FCL has sold 286 units as on November 30, 2023. Overall, the real estate project is completed to an extent of more than 95% with overall sales at 97%.

Satisfactory financial performance in FY23 and H1FY24: The company reported satisfactory performance during FY23 with despite consolidated revenue declining by about 8% to Rs.489 crore during FY23 (Rs.530 crore in FY22) majorly on account of degrowth in overseas business sale of shipping business. The company liquidated the loss making European operations operated under Forbes Lux International AG (FLIAG) during H1FY24 which although impacted revenue but resulted in improved profitability. FCL reported operating profit of Rs.19 crore in H1FY24 vis-à-vis Rs.4 crore in H1FY23. Post liquidation/dissolvement of European subsidiaries, the revenue has been majorly contributed by the domestic engineering division and real estate segment.

The company also monetized land parcel at Chandivali with the proceeds utilised towards debt reduction of FCL (Standalone) & its subsidiaries and maintaining liquidity in the company. The overall gearing ratio of the company improved to 0.32x as on March 31, 2023 as against 3.51x as on March 31, 2022.

Experienced promoter group: FCL is a part of the Shapoorji Pallonji group and benefits from the legacy of more than 154 years of operations in various businesses of the group. The flagship company of the group i.e. Shapoorji Pallonji and Company Private Limited (SPCPL, rated CARE BBB+; Negative/CARE A3+) is one of the leading construction companies of India.

The Shapoorji Pallonji group is an extensive conglomerate with business interests in several sectors such as real estate, coal mining, power, ports, roads, biofuels & agriculture, shipping & logistics, consumer products, textiles etc. Most of Shapoorji Pallonji groups' businesses are held by SPCPL as subsidiaries.

Key weaknesses

Restricted size and scale, post proposed demerger of precision tools business: The business profile of FCL has undergone change with demerger of EFL along with liquidation/dissolvement of European subsidiaries and is likely to further change with proposed demerger of the precision tool business. The materialization of the transaction is likely to result in revenue contraction with the precision tools business contributing about 84% and 42% of the revenue to standalone and consolidated revenue respectively for FY23. The business operations of FCL is expected to continue with industrial automation & coding (IAC) division of engineering business, real estate IT business. There are plans to scale up the IAC business along with real estate development potential going forward. However, the plans are not firmed up. CARE Ratings understands that the majority of term debt outstanding as on August 31, 2022 would move along with the demerged entity thereby resulting in no material impact on the financial position of the company. Any deviation from the same, along with debt funded development projects thereby impacting the debt coverage metrics would be a key monitorable.

Subdued performance of IT segment: The IT segment of the FCL is operated under-subsidary, Forbes Technosys Limited (FTL) and has been facing liquidity issues due to muted demand for the past few years.

During the period FY19-23, the revenue of IT segment of FCL decreased significantly by about 98% from Rs.124.00 crore in FY19 to Rs.3 crore in FY23 along with cash loss during FY23. The subdued performance of FTL has been dragging the overall performance of the FCL at consolidated level. The entire investment in FTL has been impaired by FCL.

Profitability susceptible to cyclicality in auto segment: The engineering business derives majority of revenue from the automobile companies as end users. Hence the business and profitability would be susceptible to cyclicality in the auto segment and also availability/fluctuation in input prices.

Liquidity: Adequate

The liquidity profile of FCL at consolidated level is adequate with cash accruals sufficient to cover the debt repayment. As on September 30, 2023, FCL had cash & liquid investment of Rs.75 crore and Rs.80 crore at standalone and consolidated level respectively. FCL at consolidated level has sanctioned working capital limits of Rs.20 crore which remains unutilized during the past 12 months period ended November 30, 2023.

Assumptions/Covenants: Not applicable

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

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Diversified	Diversified	Diversified	Diversified

FCL is a public listed entity and a subsidiary of Shapoorji Pallonji's flagship company Shapoorji Pallonji and Company Private Limited, the holding-cum-operating company of the SP group. Forbes & Company Limited was established in India in 1767 by John Forbes. Over the years, the management of the company moved to various business houses like the Forbes, Campbells, the Tata Group. In FY02, the company's shareholding underwent a restructuring and Shapoorji Pallonji (SP) group acquired a majority stake of 72.56% of the share capital of the company and it became a subsidiary of SPCPL. 1.29% of shares of FCL are held by Forbes Campbell Finance Limited (subsidiary of FCL) and the remaining is held by Public.

FCL on a standalone basis operates under two divisions: engineering and real estate, with IT business under subsidiary. The European subsidiaries namely, FLIAG and LIAG have been liquidated/dissolved on August 14, 2023.

Brief Financials - Consolidated (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24 (UA)
Total operating income	530.09	488.77	128.97
PBILDT	65.32	27.59	19.10
PAT	4228.65	191.82	0.24
Overall gearing (times)	3.51	0.32	-
Interest coverage (times)	1.54	1.57	14.58

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Note: Financials classified as per CARE's internal standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	36.00	CARE BBB- (RWD)
Fund-based - LT-Term Loan	-	-	-	March 2026	6.58	CARE BBB- (RWD)
Non-fund-based - ST-BG/LC	-	-	-	-	7.50	CARE A3 (RWD)

Annexure-2: Rating history for the 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 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	6.58	CARE BBB- (RWD)	-	1)CARE BBB- (RWD) (27-Dec-22) 2)CARE BBB- (CW with Developing Implications) (07-Oct-22)	1)CARE BBB-; Stable (10-Mar-22) 2)CARE BB+ (CW with Positive Implications) (28-Sep-21)	1)CARE BB+; Negative (10-Nov-20) 2)CARE A- (CW with Negative Implications) (12-May-20)
2	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (10-Mar-22) 2)CARE BB+ (CW with Positive Implications) (28-Sep-21)	1)CARE BB+; Negative (10-Nov-20) 2)CARE A- (CW with Negative Implications) (12-May-20)
3	Fund-based - LT-Cash Credit	LT	36.00	CARE BBB- (RWD)	-	1)CARE BBB- (RWD) (27-Dec-22) 2)CARE BBB- (CW with Developing Implications) (07-Oct-22)	1)CARE BBB-; Stable (10-Mar-22) 2)CARE BB+ (CW with Positive Implications) (28-Sep-21)	1)CARE BB+; Negative (10-Nov-20) 2)CARE A- (CW with Negative Implications) (12-May-20)
4	Non-fund-based - ST-BG/LC	ST	7.50	CARE A3 (RWD)	-	1)CARE A3 (RWD) (27-Dec-22) 2)CARE A3 (CW with Developing Implications) (07-Oct-22)	1)CARE A3 (10-Mar-22) 2)CARE A4+ (CW with Positive Implications) (28-Sep-21)	1)CARE A4+ (10-Nov-20) 2)CARE A2+ (CW with Negative Implications) (12-May-20)

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of subsidiaries consolidated

Name of companies	% holding as on March 31, 2023	% holding as on September 30, 2023
Subsidiaries		
1. Forbes Campbell Finance Limited	100.00	100.00
2. Forbes Technosys Limited	100.00	100.00
3. Volkart Fleming Shipping and Services Limited	100.00	100.00
4. Campbell Properties & Hospitality Services Limited	100.00	100.00
5. Forbes Precision Tools & Machine Parts Limited	100.00	100.00
6. EFL Mauritius Limited	100.00	100.00
7. Forbes Lux International AG	100.00	-
- Lux International AG	100.00	-
- Lux del Paraguay S.A.	80.00	-
- Lux Welity Polska sp.zo.o.	100.00	-
- Lux Schweiz AG	100.00	-
- Lux International Services and Logistics GmbH (formerly Lux Service GmbH)	100.00	-
- Lux Oesterreich GmbH	100.00	-
- Lux Hungaria Kereskedelmi Kft	100.00	-
- Lux Professional SA (formerly Lux Aqua Paraguay SA)	100.00	-
Joint Ventures		
1. Forbes Macsa Private Limited	50.00	50.00
2. Forbes Bumi Armada Limited (JV of Forbes Campbell Finance Limited)	51.00	51.00
3. Forbes Concept Hospitality Services Private Limited	50.00	-
Associates		
1. Nuevo Consultancy Services Private Limited	49.00	49.00
2. Dhan Gaming Solution (India) Private Limited	49.00	49.00

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

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About us:

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