

September 28, 2021

Forbes & Company Limited- Update on Material Event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based Limits	71.5	71.5	[ICRA]BB+ (Negative); Outstanding
Short-term Fund-based Limits	16.0	16.0	[ICRA]A4+; Outstanding
Short-term Non-fund Based Limits	38.5	38.5	[ICRA]A4+; Outstanding
Unallocated Limits	25.99	25.99	[ICRA]BB+ (Negative) / [ICRA]A4+; Outstanding
Total	151.99	151.99	

*Instrument details are provided in Annexure-1

Rationale

Material Event

The Board of Directors of the Forbes & Company Limited (FCL), in their meeting held on September 19, 2021, has approved the execution of the Share Purchase Agreement between Lunolux Limited (Acquirer), an Advent International entity, Shapoorji Pallonji and Company Private Limited, (Seller), for the acquisition by Lunolux Limited of a majority stake in the health and safety solutions business of Eureka Forbes Limited (EFL). The transaction is subject to successful completion of the Composite Scheme of Arrangement and listing of shares of the resulting Eureka Forbes Limited and other closing conditions including receipt of all statutory and regulatory approvals.

Impact of Material Event

ICRA has taken note of the above development and the rating remains unchanged at the earlier ratings of [ICRA]BB+ (pronounced ICRA double B plus) and [ICRA]A4+ (pronounced ICRA A four plus) outstanding on the Rs. 151.99-crore bank facilities of FCL.

The Board of Directors of FCL at their Board Meeting held on September 8, 2020 had already approved the composite scheme of arrangement which included amalgamation and vesting of Aqualis Technologies Private Limited and Euro Forbes Financial Services Limited (presently wholly owned subsidiaries of EFL) with and into EFL. This was followed by amalgamation and vesting of EFL with and into Forbes & Company Limited. This would be followed by demerger of FCL into Forbes Enviro Solutions Limited (FESL, presently wholly owned subsidiary of EFL) and the name of FESL shall be changed to Eureka Forbes Limited. FESL will issue shares to the shareholders of FCL as per share exchange ratio of 15 fully paid up Equity Shares of FESL for 1 share of FCL. The equity shares held by FCL in FESL shall be cancelled, thereupon. FESL's shareholding pattern will mirror the shareholding pattern of FCL as a consequence of the effectiveness of the composite scheme of arrangement. Post the restructuring, FCL will have no shareholding in the demerged EFL, and will cease to be subsidiary of FCL. EFL accounted for more than 75% of consolidated sales for FCL for last 3 years. Post demerger, FCL will continue to operate in business which include engineering business (precision tools and coding) and residential project development (Vicinia in Chandivali, Mumbai) at standalone level. Further, FCL has many subsidiary companies, JVs and associate companies. The major Group companies, which contribute to the overall revenues of the consolidated entity, include Forbes Technosys Limited, (FTL) (100% subsidiary of FCL) and Shapoorji Poonji Forbes Shipping Limited (SPFSL) (JV with Sterling Investment Corporation Limited and GS Enterprises, an SP Group company, with FCL holding a 25% stake). FCL, on a consolidated level, has been able to decrease its debt levels over the last couple of years including FY2021 through divestment of non-core assets and internal accruals.

ICRA will continue to monitor the development in this regard and assess the impact of the event on the company's credit profile once further clarity emerges on the matter

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities, Key financial indicators: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Impact of Parent or Group Support on an Issuer's Credit Rating Rating Methodology for Real Estate Entities Rating Methodology for Entities in the Shipping Industry
Parent/Group Support*	ICRA expects FCL's parent, SPCPL (rated [ICRA]BBB+/[ICRA]A2; under watch with negative implications), to be willing to extend financial support to it, should there be a need, given FCL's importance to its parent.
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of FCL. The subsidiaries/ joint ventures of FCL, as on March 31, 2021, are enlisted in Annexure-2.

*As per previous rating rationale- [Click here](#)

About the company

FCL traces its origins to 1767 when John Forbes from Scotland started his business in India. Over the years, the company's management moved from the Forbes family, to the Campbells, to the Tata Group, and finally to the SP Group. During this period, the company went through a series of mergers and demergers, and had to disengage from different businesses. Initially known as Forbes Gokak Limited, the company was renamed as Forbes & Company Limited with effect from October 25, 2007. The SP Group holds ~73.85% of the paid-up share capital of FCL.

Post various divestments and business discontinuations, FCL's standalone operations currently include engineering business (precision tools and coding) and residential project development (Vicinia in Chandivali, Mumbai). In addition, FCL earns substantial income from its treasury operations and real estate holdings. Further, FCL has many subsidiary companies, JVs and associate companies. In terms of revenue contribution, on a consolidated basis, EFL (100% subsidiary of FCL) contributes more than 75% to its total operating income. The other major Group companies, which contribute to the overall revenues of the consolidated entity, include FTL (100% subsidiary of FCL) and Shapoorji Paloonji Forbes Shipping Limited (SPFSL) (JV with Sterling Investment Corporation Limited and GS Enterprises, an SP Group company, with FCL holding a 25% stake).

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in	Date & Rating in FY2021		Date & Rating in FY2020		Date & Rating in FY2019
					28-Sept-2021	31-Dec-2020	23-Oct-20	9-Dec-19	1-Jul-19	26-Oct-18
1	Fund-based Limits	Long-term	71.50	-	[ICRA]BB+ (Negative)	[ICRA]BB+ (Negative)	[ICRA]BB+ (Negative)	[ICRA]BBB+ (Negative)	[ICRA]A (Negative)	[ICRA]A+ (Negative)
2	Fund-based Limits	Short-term	16.00	-	[ICRA]A4+	[ICRA]A4+	[ICRA]A4+	[ICRA]A2	[ICRA]A1	[ICRA]A1+
3	Non-fund Based Limits	Short-term	38.50	-	[ICRA]A4+	[ICRA]A4+	[ICRA]A4+	[ICRA]A2	[ICRA]A1	[ICRA]A1+
4	Unallocated Limits	Long-term/Short-term	25.99	-	[ICRA]BB+ (Negative)/ [ICRA]A4+	[ICRA]BB+ (Negative)/ [ICRA]A4+	[ICRA]BB+ (Negative)/ [ICRA]A4+	[ICRA]BBB+ (Negative)/ [ICRA]A2	[ICRA]A (Negative)/ [ICRA]A1	[ICRA]A+ (Negative)/ [ICRA]A1+
5	Commercial Paper	Short-term	-	-	-	-	[ICRA]A4+, withdrawn	[ICRA]A2	[ICRA]A1	[ICRA]A1+
6	Non-convertible Debenture Programme	Long-term	-	-	-	-	-	Withdrawn	[ICRA]A (Negative)	[ICRA]A+ (Negative)
7	Term Loans	Long-term	-	-	-	-	-	-	-	-
8	Non-convertible Debenture Programme	Long-term	-	-	-	-	-	-		Withdrawn

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term Fund-based Limits	Simple
Short-term Fund-based Limits	Simple
Short-term Non-fund Based Limits	Very Simple
Unallocated Limits	Not Applicable

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 analyzing 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, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Long-term Fund-based Limits	NA	NA	NA	71.5	[ICRA]BB+ (Negative)
NA	Short-term Fund-based Limits	NA	NA	NA	16.0	[ICRA]A4+
NA	Short-term Non-fund Based Limits	NA	NA	NA	38.5	[ICRA]A4+
NA	Unallocated Limits	NA	NA	NA	25.99	[ICRA]BB+ (Negative)/ [ICRA]A4+

Source: Company

Annexure-2: List of entities considered for consolidated analysis:

Company Name	Ownership*	Consolidation Approach
Subsidiary Companies		
Eureka Forbes Limited and its Subsidiaries	100.0%	Full Consolidation
Aqualgnis Technologies Private Limited	100.0%	Full Consolidation
Forbes Lux International AG Baar	100.0%	Full Consolidation
Lux International AG	100.0%	Full Consolidation
Lux del Paraguay S.A.	80.0%	Full Consolidation
Lux Italia srl (ceased to be subsidiary from January 1, 2021)	-	-
Lux Schweiz AG	100.0%	Full Consolidation
Lux (Deutschland) GmbH (ceased to be subsidiary from May 8, 2020)	-	-
Lux International Services and Logistics GmbH	100.0%	Full Consolidation
Lux Norge A/S (ceased to be subsidiary from January 1, 2021)	-	-
Lux Österreich GmbH	100.0%	Full Consolidation
Lux Hungária Kereskedelmi Kft.	100.0%	Full Consolidation
LIAG Trading & Investment Ltd.	100.0%	Full Consolidation
Lux Welity Polska Sp z o o	100.0%	Full Consolidation
Lux Professional Paraguay S.A. .(formerly Lux Aqua Paraguay S.A)	100.0%	Full Consolidation
EFL Mauritius Limited	100.0%	Full Consolidation
Euro Forbes Financial Services Limited	100.0%	Full Consolidation
Euro Forbes Limited, UAE	100.0%	Full Consolidation
Forbes Lux FZCO	99.4%	Full Consolidation
Forbes Facility Services Private Limited	100.0%	Full Consolidation
Forbes Enviro Solutions Limited	100.0%	Full Consolidation
Forbes Aquatech Limited (subsidiary w.e.f. August 28, 2020)	66.67%	Full Consolidation
Infinite Water Solution Private Limited (subsidiary w.e.f. March 31, 2021)	100.0%	Full Consolidation
Forbes Campbell Finance Limited and its Subsidiaries	100.0%	Full Consolidation
Forbes Campbell Services Limited	98.0%	Full Consolidation
Forbes Technosys Limited	100.0%	Full Consolidation
Volkart Fleming Shipping and Services Limited	100.0%	Full Consolidation
Shapoorji Pallonji Forbes Shipping Limited	25.0%	Full Consolidation
Campbell Properties & Hospitality Services Limited	100.0%	Full Consolidation
Joint Ventures		
Forbes Concept Hospitality Services Private Limited	50.0%	Equity Method
AMC Cookware Limited	50.0%	Equity Method
Forbes Bumi Armada Limited	51.0%	Equity Method

Company Name	Ownership*	Consolidation Approach
Associates		
Euro P2P Direct (Thailand) Co. Limited	49.0%	Equity Method
Nuevo Consultancy Services Private Limited	49.0%	Equity Method
Dhan Gaming Solution (India) Private Limited	49.0%	Equity Method

Source: Annual report, *As on March 31, 2021

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Branches



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