

November 14, 2022

Forbes Technosys Limited: Ratings withdrawn

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based Term Loan	35.27	35.27	[ICRA]BB+(CE) & withdrawn
Long-term Fund-based Cash Credit	5.00	5.00	[ICRA]BB+(CE) & withdrawn
Short-term Non-fund based - Letter of Credit & Bank Guarantee	15.50	15.50	[ICRA]A4+(CE) & withdrawn
Total	55.77	55.77	

*Instrument details are provided in Annexure-1; & - Watch with developing implications

Rating Without Explicit Credit Enhancement	[ICRA]BB-/ [ICRA]A4
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Rationale

ICRA has withdrawn its ratings of [ICRA]BB+(CE) &/[ICRA]A4(CE) & for the bank facilities of Forbes Technosys Limited (FTL) at the request of the company. The rating action has been taken in the context of the Guidance Note and the FAQ document issued by the Reserve Bank of India (RBI) to the credit rating agencies on April 22, 2022, and July 26, 2022, respectively, guiding that the benefit of a corporate guarantee that does not meet the evaluation mechanism/criteria defined by the RBI is not to be considered while assigning the credit enhanced (CE) ratings. Among other considerations, the [ICRA]BB+(CE)/[ICRA]A4(CE) ratings drew comfort from the presence of a corporate guarantee extended by FTL's parent to the lenders of the rated bank facilities. For assigning the ratings, ICRA had assessed the attributes of the guarantee issued by Forbes & Company Limited (FCL) in favour of the rated facility. While the guarantee was legally enforceable, irrevocable, unconditional, covering the entire amount and tenor of the rated facility, and meeting all the attributes of a strong guarantee, it did not have a well-defined invocation and payment mechanism. Taking cognisance of the above, ICRA had assigned ratings of [ICRA]BB+(CE)/[ICRA]A4(CE) to the said facility against the unsupported ratings of [ICRA]BB-/ [ICRA]A4 *[and in relation to the guarantor's ratings of [ICRA]BB+/[ICRA]A4]*.

To align itself with the aforesaid regulatory guidance, ICRA would no longer be considering in its credit assessments the benefit of a guarantee, that lacks an invocation and payment mechanism, even as such support represents a relatively stronger expression of commitment on the part of the support provider for the supported facilities in comparison with a support that is only implicit in nature.

The aforesaid FAQ document issued by the RBI permits the withdrawal of a (CE) rating for facilities where a given support cannot be considered for a credit enhancement. Such a withdrawal is permitted only if it is solicited by the rated entity, even if there might be obligations outstanding against the rated facilities, and a no-objection certificate (NOC) from the lenders is not available. Accordingly, ICRA has withdrawn the [ICRA]BB+(CE) &/[ICRA]A4(CE) & ratings solely at the request of the company.

In ICRA's assessment, the rating of the bank facilities, without factoring-in the benefit of the guarantee, would have been [ICRA]BB-/ [ICRA]A4, as disclosed in the previous rationale dated October 22, 2021. ICRA does not have incremental information to suggest that the unsupported credit risk profile of the entity has changed since the time the rating was last reviewed.

ICRA notes that FTL and its parent FCL (rated [ICRA]BB+ &/[ICRA]A4 &) have close business linkages between them and FTL is of strategic importance to its parent. Therefore, ICRA expected FCL to be willing to extend timely financial support to FTL, as and when needed. There also exists a consistent track record of FCL having extended timely financial support to FTL in the

past, whenever a need had arisen. The 'notional' rating of [ICRA]BB-/ [ICRA]A4 factors in the above strengths, arising from a parent having a relatively stronger credit profile, while ignoring the benefit of the guarantee extended by the parent.

The key rating drivers, liquidity position, rating sensitivities have not been captured in this rating rationale as the rated facilities are being withdrawn. The previous detailed Rating Rationale is available at the following link: [Click here](#)

Analytical Approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Approach for Rating Debt Instruments Backed by Third-Party Explicit Support Policy on withdrawal of Credit rating
Parent/Group support	Parent: Forbes & Company Limited
Consolidation/Standalone	For arriving at the ratings, ICRA had considered the standalone financials of FTL, while also factoring-in the benefit of its parentage.

About the Company

Forbes Technosys Limited (FTL), a Shapoorji Pallonji (SP) Group company, is a subsidiary of Forbes & Company Limited. Initially incorporated as Wandel & Goltermann & Forbes Limited on July 9, 1991, the company was renamed as Forbes Technosys Limited in July 2004, after being non-operative for more than a decade. Since then, FTL underwent many changes with respect to its business activities. FTL's current businesses include self-service automation (kiosks and multi-function ATMs), imaging solutions, financial inclusion solutions, enterprise mobility solutions, banking automation solutions, retail automation products, e-payment solutions, e-stamping solutions, recharge and ticketing solutions, and managed services. Its customers include leading banks, insurance players, telecom companies, power companies, utilities, retailers, airlines and Government organisations.

Key financial indicators (audited)

	FY2021	FY2022
Operating income (Rs. crore)	28.3	10.7
PAT (Rs. crore)	(123.2)	(42.2)
OPBDIT/OI	-48.6%	-86.6%
PAT/OI	-435.4%	-396.1%
Total outside liabilities/Tangible net worth (times)	(1.6)	(1.3)
Total debt/OPBDIT (times)	(13.9)	(16.8)
Interest coverage (times)	(0.7)	(0.6)

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2023)				Chronology of Rating History for the past 3 years						
	Type	Amount rated (Rs. crore)	Amount outstanding as on Sep 30, 2022 (Rs. crore)	Date & rating in FY2023		Date & rating in FY2022		Date & rating in FY2021		Date & rating in FY2020	
				Nov 14, 2022	Oct 21, 2022	Oct 22, 2021	Jul 23, 2021	Jan 14, 2021 Oct 23, 2020	May 21, 2020	Dec 9, 2019	Jul 1, 2019
1	Term Loans	Long-term	35.27	Nil	[ICRA]BB+(CE) & withdrawn	[ICRA]BB+(CE) & withdrawn	[ICRA]BB+(CE) & withdrawn	[ICRA]BB+(CE) (Negative)	[ICRA]BB+(CE) (Negative)	[ICRA]BBB+(CE) (Negative)	[ICRA]A(SO) (Negative)
2	Cash Credit	Long-term	5.00	-	[ICRA]BB+(CE) & withdrawn	[ICRA]BB+(CE) & withdrawn	[ICRA]BB+(CE) & withdrawn	[ICRA]BB+(CE) (Negative)	[ICRA]BB+(CE) (Negative)	[ICRA]BBB+(CE) (Negative)	[ICRA]A(SO) (Negative)
3	Letter of Credit & Bank Guarantee	Short-term	15.50	-	[ICRA]A4+(CE) & withdrawn	[ICRA]A4+(CE) & withdrawn	[ICRA]A4+(CE) & withdrawn	[ICRA]A4+(CE)	[ICRA]A4+(CE)	[ICRA]A2(CE)	[ICRA]A1(SO)
4	NCD	Long-term	-	-	-	[ICRA]BB+(CE) & withdrawn	[ICRA]BB+(CE) & withdrawn	[ICRA]BB+(CE) (Negative)	[ICRA]BB+(CE) (Negative)	[ICRA]BBB+(CE) (Negative)	[ICRA]A(SO) (Negative)
5	NCD	Long-term	-	-	-	-	-	-	[ICRA]BBB+(CE) (Negative) withdrawn	[ICRA]BBB+(CE) (Negative)	[ICRA]A(SO) (Negative)
6	Term Loan	Long-term	-	-	-	-	-	[ICRA]BBB-(CE) @ withdrawn	[ICRA]BBB-(CE) @	[ICRA]A-(CE) (Negative)	[ICRA]A(S) & (Negative)

& - Watch with developing implications; @ - Watch with negative implications

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term - Term Loan	Simple
Long-term - Cash Credit	Simple
Short-term - Letter of Credit & Bank Guarantee	Very 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	Term Loan 1	FY2017	NA	FY2023	7.73	[ICRA]BB+(CE) & withdrawn
NA	Term Loan 2	FY2021	NA	FY2023	19.25	[ICRA]BB+(CE) & withdrawn
NA	Term Loan 3	FY2021	NA	FY2023	8.29	[ICRA]BB+(CE) & withdrawn
NA	Cash Credit	-	-	-	5.00	[ICRA]BB+(CE) & withdrawn
NA	Letter of Credit & Bank Guarantee	-	-	-	15.50	[ICRA]A4+(CE) & withdrawn

Source: Company; & - under watch with developing implication

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

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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