

July 23, 2021

Forbes Technosys Limited: Rating of [ICRA]BBB-(CE); rating under watch with negative implications withdrawn

Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|---|-----------------------------------|----------------------------------|--|
| Long-term - Loans | 20.0 | 20.0 | [ICRA]BB+(CE) (Negative); outstanding |
| Long-term Fund-based Limits | 48.0 | 48.0 | [ICRA]BB+(CE) (Negative); outstanding |
| Short-term Non-fund Based Limits | 32.0 | 32.0 | [ICRA]A4+(CE); outstanding |
| Non-convertible Debenture (NCD) Programme | 35.0 | 35.0 | [ICRA]BB+(CE) (Negative); outstanding |
| Long-term – Loan | 5.7 | 0.0 | [ICRA]BBB-(CE); rating under watch with negative implications; withdrawn |
| Total | 140.7 | 135.0 | |

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

*Instrument details are provided in Annexure-1

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement

Rationale

The rating of [ICRA]BBB-(CE); rating under watch with negative implications for Rs. 5.7 crore based on a letter of comfort (LOC) from Shapoorji Pallonji and Company Private Limited (SPCPL) has been withdrawn at the request of the company and based on the confirmation from the banker that rated amount has been fully repaid, in accordance with ICRA's policy on withdrawal of credit ratings. The Key rating drivers, Liquidity position, Rating sensitivities and Key financial indicators have not been captured as the rating is being withdrawn.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 Ratings |
| Parent/Group Support | The rating for the Rs. 35.0-crore NCD programme and the Rs. 100.0-crore bank facilities are based on the strength of an unconditional and irrevocable corporate guarantee by Forbes Company Limited. The rating for the Rs. 5.7-crore term loan was based on the strength of the LOC from SPCPL. |
| Consolidation/Standalone | Standalone |

About the company

FTL, a Shapoorji Pallonji (SP) Group company, is a subsidiary of FCL. 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.

About FCL

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's 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 80% 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 Pallonji Forbes Shipping Limited (SPFSL) (JV with Sterling Investment Corporation Limited and GS Enterprises, an SP Group company, with FCL holding a 25% stake).

About SPCPL

Shapoorji Pallonji and Company Private Limited (SPCPL), is the flagship company of the SP Group, which is a diversified industrial conglomerate comprising of a group of companies held by the Mistry Family. The SP Group has a diversified presence across sectors such as construction (SPCPL, Afcons Infrastructure Limited), mechanical electrical and plumbing (Sterling & Wilson Private Limited), contracting (Sterling & Wilson Private Limited), water purification (Eureka Forbes Limited), infrastructure development (Shapoorji Pallonji Infrastructure Capital Company Private Limited), solar power generation and contracting (Sterling & Wilson Private Limited and Shapoorji Pallonji Infrastructure Capital Company Private Limited), floating production storage and offloading (FPSO) vessels (SP Oil & Gas Private Limited) etc. The SP Group is also the largest private shareholder (18.37%) in Tata Sons Private Limited, the holding company of the Tata Group.

SPCPL, which is held by the Mistry family through various group companies, functions as the holding-cum-operating company of the SP Group. The company holds stakes in various listed and unlisted companies, within and outside the SP Group, and also has significant investments in properties that have high market value. SPCPL is one of India's leading construction companies, with a heritage of more than 150 years. Over the years, SPCPL has built diverse civil and engineering structures, such as factories, stadiums and auditoriums, airports, hospitals, housing complexes, and power plants.

Key financial indicators

Refer the previous detailed rationale on the following link: [Click here](#)

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 as of June 30, 2021 (Rs. crore) | Date & Rating in | Date & Rating in FY2021 | | | Date & Rating in FY2020 | | Date & Rating in FY2019 | | |
| | | | | July 23, 2021 | Jan-14-2021 | Oct 23-2020 | May-21-2020 | Dec-09-2019 | Jul-01-2019 | Nov-28-2018 | Oct-26-2018 | |
| 1 Term Loans | Long-term | 20.0 | 7.3 | [ICRA]BB+(CE) (Negative) | [ICRA]BB+(CE) (Negative) | [ICRA]BB+(CE) (Negative) | [ICRA]BBB+(CE) (Negative) | [ICRA]BBB+(CE) (Negative) | [ICRA]A(SO) (Negative) | [ICRA]A(SO) (Negative) | [ICRA]A(SO) (Negative) | |
| 2 Fund-based Limits | Long-term | 48.0 | - | [ICRA]BB+(CE) (Negative) | [ICRA]BB+(CE) (Negative) | [ICRA]BB+(CE) (Negative) | [ICRA]BBB+(CE) (Negative) | [ICRA]BBB+(CE) (Negative) | [ICRA]A(SO) (Negative) | [ICRA]A+(SO) (Negative) | [ICRA]A+(SO) (Negative) | |
| 3 Non-fund Based Limits | Short-term | 32.0 | - | [ICRA]A4+(CE) | [ICRA]A4+(CE) | [ICRA]A4+(CE) | [ICRA]A2(CE) | [ICRA]A2(CE) | [ICRA]A1(SO) | [ICRA]A1+(SO) | [ICRA]A1+(SO) | |
| 4 NCD | Long-term | 35.0 | 29.2 | [ICRA]BB+(CE) (Negative) | [ICRA]BB+(CE) (Negative) | [ICRA]BB+(CE) (Negative) | [ICRA]BBB+(CE) (Negative) | [ICRA]BBB+(CE) (Negative) | [ICRA]A(SO) (Negative) | [ICRA]A+(SO) (Negative) | [ICRA]A+(SO) (Negative) | |
| 5 NCD | Long-term | - | - | - | - | - | [ICRA]BBB+(CE) (Negative), reaffirmed and withdrawn | [ICRA]BBB+(CE) (Negative) | [ICRA]A(SO) (Negative) | [ICRA]A+(SO) (Negative) | [ICRA]A+(SO) (Negative) | |
| 6 Term Loan | Long-term | 5.7 | 0.0 | [ICRA]BBB-(CE); under watch with negative implications; withdrawn | [ICRA]BBB-(CE); under watch with negative implications | [ICRA]BBB-(CE); placed under watch with negative implications | [ICRA]A-(CE) (Negative) | [ICRA]A-(CE) (Negative) | [ICRA]A(S)& | [ICRA]A+(S)& | [ICRA]AA-(S) (Stable) | |

&= Under watch with developing implications

Complexity level of the rated instrument

| Instrument | Complexity Indicator |
|---|----------------------|
| Long-term - Loans | Simple |
| Long-term Fund-based Limits | Simple |
| Short-term Non-fund Based Limits | Very Simple |
| Non-convertible Debenture (NCD) Programme | Very Simple |
| Long-term – Loan | 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 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 |
|--------------|-------------------------------------|-----------------------------|-------------|---------------|-------------------------|---|
| INE465R08040 | NCD | 18-Oct-2017 | 10.4% | FY2023 | 35.0 | [ICRA]BB+(CE) (Negative); Outstanding |
| NA | Term Loan 1 | Aug-2016 | NA | FY2023 | 15.0 | [ICRA]BB+(CE) (Negative); Outstanding |
| NA | Term Loan 2 | Dec-2015 | NA | Mar-2020 | 5.7 | [ICRA]BBB-(CE); under watch with negative implications; withdrawn |
| NA | Term Loan 3 | Nov-2018 | NA | FY2023 | 5.0 | [ICRA]BB+(CE) (Negative); Outstanding |
| NA | Cash Credit | - | - | - | 48.0 | [ICRA]BB+(CE) (Negative); Outstanding |
| NA | Letter of Credit and Bank Guarantee | - | - | - | 32.0 | [ICRA]A4+(CE); Outstanding |

Source: Company

Annexure-2: List of entities considered for consolidated analysis: Not Applicable

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Branches



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