

Forbes Technosys Limited

July 1, 2019

Forbes Technosys Limited: Ratings downgraded to [ICRA]A(SO)(Negative)/[ICRA]A1(SO)/[ICRA]A(S)&

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term- Loan	20.0	5.7	[ICRA]A(S)&; downgraded from [ICRA]A+(S)&
Long-term- Loans	39.0	15.0	[ICRA]A(SO)(Negative); downgraded from [ICRA]A+(SO) (Negative)
Long-term fund-based Limits	48.0	48.0	[ICRA]A(SO)(Negative); downgraded from [ICRA]A+(SO) (Negative)
Short-term non-fund based Limits	32.0	32.0	[ICRA]A1(SO); downgraded from [ICRA]A1+(SO)
Non-Convertible Debenture (NCD) Programme	35.0	35.0	[ICRA]A(SO)(Negative); downgraded from [ICRA]A+(SO) (Negative)
Non-Convertible Debenture Programme	25.0	25.0	[ICRA]A(SO)(Negative); downgraded from [ICRA]A+(SO) (Negative)
Total	199.0	160.7	

*Instrument details are provided in Annexure-1

&: Rating under Watch with Developing Implications

The rating for Rs. 5.7-crore term loan facility is based on a letter of comfort from Shapoorji Pallonji and Company Private Limited (SPCPL; rated [ICRA]AA-&/[ICRA]A1+). The letter S in parenthesis suffixed to a rating symbol denotes that the rating is supported by a letter of comfort (LOC).

The ratings for the Rs. 60.0-crore NCD programme and the Rs. 95.0-crore bank facilities are based on the strength of an unconditional and irrevocable corporate guarantee by Forbes & Company Limited (FCL, rated [ICRA]A(Negative)/[ICRA]A1). The letters SO in parenthesis suffixed to the rating symbol stand for Structured Obligation. An (SO) rating is specific to the rated facility, its terms, and its structure. An SO rating does not represent ICRA's opinion on the general credit quality of the entity concerned.

Rationale

The revision in long-term rating for Rs. 5.7-crore term loan facility follows the revision in the long-term rating of SPCPL (LOC Provider) to [ICRA]AA- (pronounced ICRA double A minus) from [ICRA]AA (pronounced ICRA double A). The long-term rating for SPCPL remains under watch with developing implications.

The revision in rating for Rs. 60.0-crore NCD programme and the Rs. 95.0-crore bank facilities follows the revision in the long-term rating of FCL (corporate guarantee provider) to [ICRA]A (pronounced ICRA A) from [ICRA]A+ (pronounced ICRA A plus). The outlook on the long-term rating remains Negative.

Outlook

The rating for Rs. 5.7-crore term loan covered by the letter of comfort from SPCPL remains under Watch with Developing Implications.

The ratings for the Rs. 60.0-crore NCD programme and the Rs. 95.0-crore bank facilities are based on the strength of an unconditional and irrevocable corporate guarantee by FCL. The outlook on the long-term rating for FCL is Negative. Accordingly, the Rs. 60.0-crore NCD programme and the Rs. 95.0-crore bank facilities carry a Negative outlook.

Key rating drivers

Credit Strengths

Corporate Guarantee from FCL – The ratings for the Rs. 60.0-crore NCD programme and the Rs. 95.0-crore bank facilities are based on the strength of an unconditional and irrevocable corporate guarantee by FCL. The rating for the Rs. 60.0-crore NCD factors in the payment mechanism designed to ensure timely payment on the rated NCD as per the terms of the transaction. The ratings for the Rs. 95.0-crore bank facilities of FTL is based on an unconditional and irrevocable guarantee provided by FCL and an undertaking from the guarantor to ensure that the debt obligations are serviced on or prior to the due date, irrespective of the invocation of the guarantee by the beneficiary.

Letter of Comfort from SPCPL - The rating for the Rs. 5.7-crore term loan facility is based on the strength of the letter of comfort from SPCPL

Liquidity Position:

Kindly refer to below link for liquidity position of LOC provider (SPCPL) for Rs. 5.7-crore term loan facility

[Rating rationale of SPCPL](#)

Kindly refer to below link for liquidity position of corporate guarantee provider (FCL) for Rs. 60.0-crore NCD programme and the Rs. 95.0-crore bank facilities.

Rating rationale of FCL

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Approach for Rating Debt Instruments Backed by Third-Party Explicit Support
Parent/Group Support	The rating for the Rs. 5.7-crore term loan is based on the strength of the LOC from SPCPL.
Consolidation / Standalone	The ratings for the Rs. 60.0-crore NCD programme and the Rs. 95.0-crore bank facilities are based on the strength of an unconditional and irrevocable corporate guarantee by FCL
	Standalone

About the company

FTL, a Shapoorji Pallonji 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 a number of changes with respect to its business activities. FTL's current business 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 back to 1767, when John Forbes of Scotland started his business in India. Over the years, the management of the company moved from the Forbes family to the Campbells, and then to the Tata Group before going to the SPG. During this period, the company also 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 to Forbes & Company Limited with effect from October 25, 2007. The SP Group holds about 73.85% of the paid-up share capital of FCL.

Post various divestments and business discontinuations, the standalone operations of FCL include its engineering business (comprising precision tools and coding business) and development of a residential project (Vicinia in Chandivali, Mumbai). In addition, FCL earns substantial income from its treasury operations and its real estate holdings.

Further, FCL has number of subsidiary companies, joint ventures and associate companies. In terms of revenue contribution, on a consolidated basis, Eureka Forbes Limited (100% subsidiary of FCL) drives more than 80% of the total operating income of the company. The other major Group companies that contribute to the overall revenues of the consolidated entity include FTL (100% subsidiary of FCL) and Shapoorji Pallonji Forbes Shipping Limited (JV with Sterling Investment Corporation Limited and GS Enterprises, a Shapoorji Pallonji Group company, with FCL holding 25% stake).

About SPCPL

SPCPL, is the flagship company of the Shapoorji Pallonji Group (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 Limited, the holding company of the Tata Group.

SPCPL, which is held by 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 (Audited)

Rs. Crore	FTL		FCL (Consolidated)	
	FY2018	FY2019	FY2018	FY2019
Operating Income (Rs. crore)	130.6	123.9	2,822.9	2,853.4
PAT (Rs. crore)	-12.3	0.1	-41.6	-10.2
OPBDIT/ OI (%)	4.8%	16.7%	4.7%	5.4%
RoCE (%)	-	15.0%	5.7%	6.7%
Total Debt/ TNW (times)	9.5	6.2	2.7	2.9
Total Debt/ OPBDIT (times)	24.2	7.7	8.9	7.0
Interest Coverage (times)	0.6	1.6	1.3	1.6

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, and Taxes; ROCE: PBIT/Avg (Total Debt + Tangible Net Worth (TNW) + Deferred Tax Liability - Capital Work-in-Progress)

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Instrument	Type	Current Rating (FY2020)		Chronology of Rating History for the past 3 years								
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating July 2019	Date & Rating in FY2019			Date & Rating in FY2018		Date & Rating in FY2017		
					November 2018	October 2018	January 2018	October 2017	September 2017	July 2017	March 2017	September 2016
1	Term loans	Long-term	15.0	15.0	[ICRA]A(SO) (Negative)	[ICRA]A+(SO) (Negative)	[ICRA]A+(SO) (Negative)	[ICRA]AA- (SO) (Negative)	[ICRA]AA- (SO) (Negative)	[ICRA]AA- (SO) (Negative)	[ICRA]AA- (SO) (Stable)	[ICRA]AA- (SO) (Stable)
2	Fund-based Limits	Long-term	48.0	-	[ICRA]A(SO) (Negative)	[ICRA]A+(SO) (Negative)	[ICRA]A+(SO) (Negative)	[ICRA]AA- (SO) (Negative)	[ICRA]AA- (SO) (Negative)	[ICRA]AA- (SO) (Negative)	[ICRA]AA- (SO) (Stable)	[ICRA]AA- (SO) (Stable)
3	Non-fund Based Limits	Short-term	32.0	-	[ICRA]A1(SO)	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)
4	NCD	Long-term	35.0	35.0	[ICRA]A(SO) (Negative)	[ICRA]A+(SO) (Negative)	[ICRA]A+(SO) (Negative)	[ICRA]AA- (SO) (Negative)	Provisional [ICRA]AA- (SO) (Negative)	-	-	-
5	NCD	Long-term	25.0	25.0	[ICRA]A(SO) (Negative)	[ICRA]A+(SO) (Negative)	[ICRA]A+(SO) (Negative)	[ICRA]AA- (SO) (Negative)	[ICRA]AA- (SO) (Negative)	[ICRA]AA- (SO) (Negative)	[ICRA]AA- (SO) (Stable)	Provisional [ICRA]AA- (SO) (Stable)
6	Term loan	Long-term	5.7	5.7	[ICRA]A(S)&	[ICRA]A+(S)&	[ICRA]AA-(S) (Stable)	[ICRA]AA-(S) (Stable)	-	-	-	-

Note: Amount outstanding as on March 31, 2019; &: Rating under Watch with Developing Implications

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the 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	9.90%	18-Oct-2020	35.0	[ICRA]A(SO) (Negative)
INE465R08032	NCD	20-Mar-2017	10.38%	20-Mar-2020	25.0	[ICRA]A(SO) (Negative)
NA	Term Loan 1	Aug-2016	NA	August-2021	15.0	[ICRA]A(SO) (Negative)
NA	Term Loan 2	Dec-2015	NA	Mar-2020	5.7	[ICRA]A(S) &
NA	Cash Credit	-	-	-	48.0	[ICRA]A(SO) (Negative)
NA	Letter of Credit and Bank Guarantee	-	-	-	32.0	[ICRA]A1(SO)

Source: Forbes Technosys Limited; &: Rating under Watch with Developing Implications