April 05, 2024

General Manager
Department of Corporate Services,
BSE Ltd.
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai 400 001

Security Code : 502865
Security ID : FORBESCO

Dear Sir/Madam,

Subject: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 - Rating/revision in credit rating

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015, we wish to inform you that ICRA Limited has revised the credit ratings as follows:

Instrument	**Previous Rated Amount (Rs. crore)**	**Current Rated Amount (Rs. crore)**	**Rating Action**
Long-term Fund-based Cash Credit	19.50	4.00	[ICRA]BB+(Stable); reaffirmed; Removed from Rating Watch with Developing Implications and Stable outlook assigned
Short-term Fund-based Cash Credit	16.00	0.00	-
Short-term Non-fund Based Bank Guarantee & Letter of Credit	13.50	2.50	[ICRA]A4+ reaffirmed; Removed from rating Watch with developing Implications
Long term/Short term Unallocated Limits	10.00	50.00	[ICRA]BB+(Stable)/[ICRA]A4+ reaffirmed; Removed from Rating Watch with Developing Implications and Stable outlook assigned
Total	**59.00**	**56.50**	

We are enclosing herewith rationale given by ICRA Limited for revision in credit ratings of Long & short term Fund/Non-Fund based Limits and Unallocated Limits.

Thanking you.

Yours faithfully,
For **Forbes & Company Limited**
PRITESH
KISHORE
JHAVERI
Digitally signed by PRITESH KISHORE JHAVERI
Date: 2024.04.05 18:55:13 +05'30'
Pritesh Jhaveri
Company Secretary and Compliance Officer
Membership No: A51446

April 05, 2024

Forbes & Company Limited: Ratings reaffirmed; Removed from Rating Watch with Developing Implications and Stable outlook assigned

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based Cash Credit	19.50	4.00	[ICRA]BB+(Stable); reaffirmed; Removed from Rating Watch with Developing Implications and Stable outlook assigned
Short-term Fund-based Cash Credit	16.00	0.00	-
Short-term Non-fund Based Bank Guarantee & Letter of Credit	13.50	2.50	[ICRA]A4+ reaffirmed; Removed from rating Watch with developing Implications
Long term/Short term Unallocated Limits	10.00	50.00	[ICRA]BB+(Stable)/ [ICRA]A4+ reaffirmed; Removed from Rating Watch with Developing Implications and Stable outlook assigned
Total	**59.00**	**56.50**	

Instrument details are provided in Annexure-I

Rationale

The ratings are removed from Rating Watch with Developing Implications, following the completion of the demerger of the precision tools business (within the engineering segment) from Forbes & Company Limited (FCL), and a Stable outlook is assigned to the long-term rating. The ratings were on Watch due to pending approvals/implementation of a proposed scheme of arrangement for the demerger of the precision tools business (within the engineering segment) from FCL. The scheme was implemented in February 2024 (w.e.f. April 1, 2023, Appointed date) and FCL received the National Company Law Tribunal (NCLT) order approving the Scheme in February 2024.

The ratings continue to favourably factor in the steady flow of rental income from various rental properties, predominantly in Mumbai, which supports FCL's credit profile, improvement in leverage (TOL/TNW of 2.1 times as of September 2023) and comfortable coverage metrics. ICRA takes note of the Lux Group's liquidation (in August 2023) and successful sale of the Chennai land parcel (for a consideration of ~Rs. 15 crore) in Q1 FY2024. The Lux Group was incurring losses and was a drag on consolidated profitability. The company's liquidity position is comfortable, supported by the unencumbered cash and liquid investments of ~Rs. 77 crore (as on December 31, 2023) along with a market value of equity investment Rs. 105-115 crore, primarily driven by its ~1% stake in Eureka Forbes Limited. The company has no long term debt as on March 31, 2024.

The ratings remain constrained by the modest scale of operations of the company, which witnessed a sharp decline in revenue in 9M FY2024 due to liquidation of the Lux Group. The revenue of the company is also impacted on account of Demerger of Precision tools business. To scale up the said business, FCL has ventured into a 50:50 JV with Macsa ID (a Spanish company), wherein FCL and Macsa have invested Rs. 2.5 crore, respectively. Further, the ratings factor in the weak performance of the subsidiary, Forbes Technosys Limited (FTL), which continues to impact FCL's consolidated financial profile. While the Group has significantly downsized FTL's operations and cost associated with it over the past 1-1.5 years, a meaningful and sustained turnaround in the operating performance of its standalone businesses along with improvement in overall scale of operations would be improve FCL's overall credit profile.

Despite some delays in the completion of its sole ongoing residential project, Vicinia (Phase II), ICRA notes that the project has witnessed healthy bookings (98% of the area sold as on December 31, 2023). The company is expecting inflows of Rs. 20-23 crore from unsold flats, which is expected to be realised in FY2025.

In the past, the sponsor group infused Rs. 61.95 crore in the FTL, which has been converted into a perpetual loan with an interest rate of 11.95% p.a. The aforesaid sponsor debt is sub-ordinated to the bank debt, which is expected to remain in the FTL over the long term. ICRA in its base case hasn't factored in payout of sponsor debt or any material dividend outflows/financial assistance to sponsor group entities. In the absence of any major capex/investment or dividend payout plans over the medium term, the company is expected to maintain low leverage and comfortable liquidity.

The Stable outlook on the long-term rating reflects ICRA's expectations that FCL will continue to maintain comfortable capital structure and debt coverage indicators over the medium term, aided by healthy revenue growth and improvement in operating margins.

Key rating drivers and their description

Credit strengths

Low leverage and comfortable debt coverage metrics – FCL does not have any external debt. Moreover, its leverage has improved (TOL/TNW of 2.1 times as on September 2023) along with comfortable coverage metrics. FCL had ~Rs. 77 crore of free cash and liquid investments as on December 31, 2023, apart from investments in property holdings and EFL's shares which can be monetised, if required.

Steady stream of rental income support cashflows – The ratings consider the stable inflow of rental income from the company's significant real estate holdings, primarily in Mumbai. FCL concluded the sale of a land parcel in Chennai in Q1 FY2024, receiving consideration (Rs. 15 crore) in Q2 FY2024. This, along with income from the sale of flats in the company's only residential project (Vicinia), supported the Group's liquidity position.

Credit challenges

Modest scale of operations – The ratings remain constrained by the scale of operations (mainly engineering business), which witnessed a sharp decline in revenue in 9M due to liquidation of the Lux Group. The revenue of the company is also impacted on account of Demerger of Precision tools business. To scale up the said business, FCL has entered into a 50:50 JV with Macsa ID (a Spanish company), with each investing Rs 2.5 crore. Further, the ratings factor in the weak performance of the subsidiary, Forbes Technosys Limited (FTL), which continues to impact FCL's consolidated financial profile. Although the Group has significantly downsized FTL's operations over the past 1-1.5 years, a significant and sustained improvement in the operating performance of its standalone businesses would be crucial for enhancing FCL's overall credit profile.

Modest return metrics – FCL's operating margins have been volatile over the past few years, but are expected to improve in FY2024e following the aforementioned demerger and liquidation of the loss-making Lux Group. Despite the expected improvement in operating margins, the return metrics (ROCE) are expected to remain muted due to the modest asset turnover in the near to medium term.

Environmental and social risks

Environmental Risk - FCL's real estate segment faces risks from increasing environmental norms, impacting operating costs through higher costs of raw materials such as building materials and cost of compliance with pollution control regulations. Environmental clearances are required for real estate projects and lack of timely approvals can impact its business operations. The impact of changing environmental regulations on licences taken for property development could also create credit risks. Moreover, even though FCL's engineering segment is not directly exposed to climate-transition risks from a likelihood of tightening emission-control requirements, its products are being used by different categories of OEMs, and its automotive manufacturing customers remain highly exposed to the same.

Social Risk - In terms of social risks, the post-pandemic trend has been favourable to real-estate developers as demand for quality homes with good social infrastructure has increased. Moreover, FCL has a dependence on human capital; as such retaining human capital, maintaining healthy employee relations and supplier ecosystem remain essential for disruption-free operations for the entity.

Liquidity position: Adequate

FCL's liquidity position is adequate, supported by free cash and liquid investments of Rs. 77 crore (as of December 2023). Moreover, it does not have any debt obligations and capex/investment plans for the near to medium term. FCL has around 25 lakh shares in EFL, which has a market valuation of around Rs. 105-115 crore, apart from significant real estate holdings which, if monetised, could also support its liquidity position.

Rating sensitivities

Positive factors – The ratings could be upgraded if the company is able to materially improve its revenues and profitability while maintaining low leverage and comfortable coverage metrics on a sustained basis.

Negative factors – Pressure on FCL's ratings could arise in case of a material decline in its revenues or profitability or any significant debt-funded capex leading to a material decline in liquidity position. Specific credit metrics of interest cover below 2.0 times will trigger a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of FCL. As on September 30, 2023, FCL had 11 subsidiaries/step-down subsidiaries and associates/joint ventures (JVs), which are all enlisted in Annexure II.

About the company

FCL's origins go back to 1767 when John Forbes of Scotland started his business in India. Over the years, the company's management transitioned from the Forbes family to the Campbells, then to the Tata Group and eventually to the Shapoorji Pallonji (SP) Group. Throughout this period, the company underwent mergers, demergers and disengagements from various businesses. Initially known as Forbes Gokak Limited, it was renamed Forbes & Company Limited on October 25, 2007. ICRA notes that SP Group holds a 73.85% equity stake in the company as on December 31, 2023, of which 98.25% of SP Group's stake was pledged[1].

FCL's standalone operations include the engineering business (comprising industrial automation and coding) and residential project development (Vicinia in Chandivali, Mumbai). In addition, FCL earns substantial income from its real estate holdings. It also has many subsidiaries, JVs, and associate companies. However, the company has undertaken various divestments and business discontinuations over the years.

[1] SP Group shares were pledged on March 31, 2020, and the pledged share amount has remained the same since then

Key financial indicators (audited)

	Standalone			Consolidated		
	FY2022	FY2023	H1 FY2024*	FY2022	FY2023	H1 FY2024*
Operating income	236.1	247.8	128.0	514.7	442.0	129.0
PAT	4,132.9	238.6	24.6	4,212.8	188.9	0.0
OPBDIT/OI	14.5%	10.5%	16.0%	9.6%	-4.3%	14.8%
PAT/OI	1750.7%	96.3%	19.2%	818.4%	42.7%	0.0%
Total outside liabilities/Tangible net worth (times)	10.2	1.5	1.3	8.2	3.2	2.1
Total debt/OPBDIT (times)	3.0	0.7	0.3	5.9	(7.0)	2.0
Interest coverage (times)	2.8	3.2	21.1	1.2	(1.1)	14.6

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore*

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 (FY2025)				Chronology of Rating History for the Past 3 Years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on Dec 31, 2023 (Rs. crore)	Date & Rating	Date & Rating in FY2023	Date & Rating in FY2022		Date & Rating in FY2021
					April 05, 2024	Jan 31, 2023	Oct 22, 2021	Sep 28, 2021	Dec 31, 2020 Oct 23, 2020
1	Fund based cash credit	Long term	4.00	-	[ICRA]BB+ (Stable)	[ICRA]BB+ &	[ICRA]BB+ &	[ICRA]BB+ (Negative)	[ICRA]BB+ (Negative)
2	Fund based cash credit	Short term	0.00	-	-	[ICRA]A4+ &	[ICRA]A4+ &	[ICRA]A4+	[ICRA]A4+
3	Non-fund based facilities	Short term	2.50	-	[ICRA]A4+	[ICRA]A4+ &	[ICRA]A4+ &	[ICRA]A4+	[ICRA]A4+
4	Unallocated limits	Long term/ Short term	50.00	-	[ICRA]BB+ (Stable) / [ICRA]A4+	[ICRA]BB+ &/ [ICRA]A4+ &	[ICRA]BB+ &/ [ICRA]A4+ &	[ICRA]BB+ (Negative)/ [ICRA]A4+	[ICRA]BB+ (Negative)/ [ICRA]A4+
5	Commercial paper	Short term	-	-	-	-	-	-	[ICRA]A4+ withdrawn
6	NCD	Long term	-	-	-	-	-	-	-

&: Rating Watch with Developing Implications

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund based – Cash credit	Simple
Short-term non-fund based facilities	Very Simple
Long-term/Short-term 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 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	Fund based – Cash credit	Multiple	-	-	4.00	[ICRA]BB+ (Stable)
NA	Non-fund based facilities	Multiple	-	-	2.50	[ICRA]A4+
NA	Unallocated limits	-	-	-	50.00	[ICRA]BB+ (Stable) / [ICRA]A4+

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company	Ownership	Consolidation Approach
EFL Mauritius Limited	100%	Full Consolidation
Forbes Campbell Finance Limited	100%	Full Consolidation
Forbes Campbell Services Limited	98%	Full Consolidation
Forbes Technosys Limited	100%	Full Consolidation
Volkart Fleming Shipping and Services Limited	100%	Full Consolidation
Campbell Properties & Hospitality Services Limited	100%	Full Consolidation
Forbes Concept Hospitality Services Private Limited*	50%	Limited Consolidation
Forbes Bumi Armada Limited	51%	Limited Consolidation
Nuevo Consultancy Services Private Limited	49%	Limited Consolidation
Dhan Gaming Solution (India) Private Limited	49%	Limited Consolidation
Forbes Macsa Private Limited	50%	Limited Consolidation

** FCL sold its stake in H1 FY2024*