



Press Release

Forbes Precision Tools and Machine Parts Limited

December 04, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	4.46	IVR BBB/Stable (IVR Triple B with stable Outlook)	-	Assigned	Simple
Proposed Long Term Bank Facilities	40.54	IVR BBB/Stable (IVR Triple B with stable Outlook)	-	Assigned	Simple
Proposed Short Term Bank Facilities	10.00	IVR A3+ (IVR A three plus)	-	Assigned	Simple
Total	55.00 (Rupees Fifty Five crore only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has assigned its rating to bank facilities of Forbes Precision Tools and Machine Parts Limited (FPTL). The ratings draw comfort from strong brand recall along with extensive cutting tool applications spanning different sectors, vast experience equipped by the management and sound financial risk profile of FPTL. However, these rating strengths remain constrained by moderate scale of business, susceptibility to volatile raw material prices and stabilization risk associated with ongoing production capacity enhancement.

The outlook is stable in view of the extensive experience of the management along with strong brand recall which will aid stable revenue growth.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in TOI.
- Sustained EBIDTA margins



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Downward Factors

- Any Debt funded capex impacting financial profile
- Sharp decline in TOI or profitability

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Strong brand recall along with extensive cutting tool applications spanning different sectors**

Forbes engineering business established in the year 1767. Over the years, the management of the company moved from the Forbes family (1767-1949) to the Campbells to the Tata Group (1949-2002) and now finally to the well-known Shapoorji Pallonji Group(2002 onwards), leaders in infrastructure, construction and real estate businesses, amongst many others. FPTL has built the capability to produce a diverse array of cutting tools used across various end-user industries, resulting in stable order inflows. The company is concentrating on value-added segments that offer cutting tools with standard and application-based tooling solutions. Given the demand of precision tools across various sectors, including aerospace, defence, oil and gas, and infrastructure development both in India and internationally, there are substantial opportunities for accelerated growth.

- **Management equipped with vast experience**

The directors of the company are well experienced, for more than three decades, in varied segments of business. Mr Mahesh Tahilyani, Managing Director, has work experience of about four decades. The top management is effectively supported by a skilled second-line management team that brings extensive operational expertise. The management's long-standing presence in the industry has enabled them to develop significant business acumen, contributing to the smooth functioning of FPTL.

- **Sound financial risk profile**



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The financial risk profile is sound characterized by healthy EBIDTA margin of 22.48% and profitability margins of 12.94% for FY 2024 (refers to period from April 1, 2023 to March 31, 2024). The solvency ratios comprising of debt: equity, TOL:TNW and overall gearing ratio stood below 1 on account of low debt profile. The coverage ratios marked by interest coverage of 44.28x and DSCR of 36.47x stands favorable. Despite the Company's plans for debt-funded capital expenditure for FY 25, the coverage ratios are projected to remain healthy.

Key Rating Weaknesses

Moderate Scale of business

The scale of operations of FPTL remains moderate, marked by a TOI of ₹228.50 crore in FY24. The precision tools industry is highly fragmented with significant competition from numerous players competing for market share. Although FPTL has established a strong brand reputation in the industry, the company needs to consistently innovate and uphold high-quality standards in order to stay competitive in the precision tools sector.

Susceptibility to volatile raw material prices

FPTL imports its raw materials viz. carbide, M35 steel, from China and Germany. The prices of its raw material, i.e., solid carbide, are volatile in nature, largely driven by changes in supply, global demand shifts, and geopolitical factors resulting in a risk due to any adverse fluctuations in raw material prices which may impact the profitability of the company.

Stabilization risk associated with ongoing production capacity enhancement

FPTL is in the process of enhancing the manufacturing capacities and adopting the latest technology in line with the growing demand by way capex amounting to Rs 29.47 crore which is proposed to be funded by the term debt of Rs 17.00 crore and the remaining by way of internal accruals. As of now debt has been tied up to the extent of Rs 17.00 crore. Although the project implementation risk remains moderate as some of the machines are already installed. However, the stabilization and scaling-up of



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operations as envisaged; after completion of its debt-funded project remains a key monitorable.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

Liquidity : Adequate

The company's gross cash accruals was at Rs. 41.15 Crore in FY24 vis-à-vis minimal repayment obligations of Rs 2.48 crore which indicates sufficient liquidity buffer available. The company has free cash and bank balance of Rs. 15.96 crore as on March 31, 2024. After factoring the debt repayments of fresh loans to be availed for capex ~Rs. 17 - 20 crores and interest cost for WC limits of ~ Rs. 20.00 crores the projected GCA appears adequate for FY 2025-2027.

About the Company

Forbes Precision Tools and Machine Parts Limited (FPTL), is a listed Company incorporated as on August 13, 2022. FPTL has been carved out of Forbes & Company Limited (FCL) through scheme of arrangement involving demerger of FCL's precision tool business from its engineering arm. 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.

FPTL is engaged in manufacturing precision engineering tools under the brand TOTEM for threading, milling, drilling, and deburring for industrial applications. With three state-of-the-art manufacturing facilities in Waluj, Aurangabad. FPTL has the large distribution network in the



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country. The Company undertakes marketing of its varied products under four brand names viz. **TOTEM** for HSS Taps/HPT, carbide tools, rotary burrs, HSS drill, CST/Dies, **BBBB** for spring washers, **KENDO** for hand tools and **FORBES** for Carbide wear parts.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)
	31-03-2024
	Audited
Total Operating Income	228.50
EBITDA	51.37
PAT	29.70
Total Debt	5.42
Tangible Net Worth	137.13
EBITDA Margin (%)	22.48%
PAT Margin (%)	12.94%
Overall Gearing Ratio (x)	0.04x
Interest Coverage (x)	44.28x

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: None

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Date (Month XX, 20XX) Rating	Date (Month XX, 20XX) Rating	Date (Month XX, 20XX) Rating
1.	Term Loans	Long Term Bank Facilities	4.46	IVR BBB Stable	-	-	-
2.	Term loan	Proposed Long Term Bank Facilities	20.54	IVR BBB Stable	-	-	-
3	Working Capital	Proposed Long Term Bank Facilities	20.00	IVR BBB Stable			
3.	Non-Fund Based	Proposed Short Term Bank Facilities	10.00	IVR A3+	-	-	-



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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Instrument/Facility Details



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Name of Facility/	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loans	NA	NA	NA	Mar'26	4.48	IVR BBB/Stable
Proposed Term Loan	NA	NA	NA	-	20.54	IVR BBB/Stable
Proposed Working Capital	NA	NA	NA	-	20.00	IVR BBB/Stable
Proposed Non Fund Based	NA	NA	NA	-	10.00	IVR A3+

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Forbes-Precision-dec24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.