

## Rating Rationale

May 02, 2025 | Mumbai

### Forbes Marshall Private Limited

Ratings reaffirmed at 'Crisil AA-/Stable/Crisil A1+'

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.245 Crore</b>
<b>Long Term Rating</b>	<b>Crisil AA-/Stable (Reaffirmed)</b>
<b>Short Term Rating</b>	<b>Crisil A1+ (Reaffirmed)</b>

*Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings.*

*The Board of Directors also does not discuss any ratings at its meetings.*

*1 crore = 10 million*

*Refer to Annexure for Details of Instruments & Bank Facilities*

#### Detailed Rationale

Crisil Ratings has reaffirmed its 'Crisil AA-/Stable/Crisil A1+' ratings on the bank facilities of Forbes Marshall Private Limited (FMPL, a part of the Forbes Marshall group).

The ratings reaffirmation reflects the strong business risk profile of FMPL in the control and instrumentation segment and continued robust financial risk profile marked by negligible external debt and strong liquidity.

On a consolidated basis, revenue is estimated to grow by 7-8% in fiscal 2025 and cross Rs 1900 crore driven by stable demand from the end user industries including oil and gas, sugar, fast moving consumer goods (FMCG) and pharmaceuticals. In the first nine months of fiscal 2025 revenue on a consolidated basis is estimated to have grown by 8-9% and crossed Rs 1450 crore driven by healthy orderbook, which stood above Rs 350 crore as of December 2024 given strong demand from the end user industries. Over the medium term, revenue is expected to grow by 9-10% per annum as demand from the end user industry is likely to remain healthy. Operating profit margin is estimated at 17-18% in fiscal 2025 and expected to remain at similar levels over the medium term marked by stable raw material prices, technology driven operations and the ability of FMPL to increase the prices beyond certain levels.

Financial risk profile of the company continued to be strong marked by negligible outside debt. Most of the debt in FMPL is in the form of unsecured loans from the promoters, which have flexible repayment obligations. Debt protection metrics remained strong due to minimal debt and strong accruals. Capex requirement is expected to be moderate at Rs 150-250 crore per annum over the medium term, which will be entirely funded through internal resources. The company is expected to generate cash accruals (post dividend) above Rs 250 crore per annum over the medium term. Liquidity remained strong with free cash and equivalents of more than Rs 400 crore as on December 31, 2024 and the same will be maintained over the medium term. Any incremental working capital requirement will be managed through internal resources and no external debt is expected to be availed over the medium term.

The ratings continue to reflect the established market position of the Forbes Marshall group in the steam engineering and control instrumentation segments, supported by strong technical capability and marketing setup. The ratings also factor in the group's strong financial risk profile, aided by low gearing and healthy debt protection metrics.

#### Analytical Approach

Crisil Ratings has combined the business and financial risk profiles of FMPL and its subsidiaries and joint ventures (JVs). This is because all the entities, collectively referred to as the Forbes Marshall group, are in similar businesses and have operational synergies, inter-party transactions, and common management and clientele.

*Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.*

#### Key Rating Drivers & Detailed Description

##### Strengths:

- **Healthy business risk profile:** The business performance of the group remains healthy, with revenue growth of 8-9% in the first nine months to fiscal 2025 as well as healthy operating margin of 17-18%, which is likely to sustain over the medium term. Healthy demand from end-user industries and orderbook of above Rs 350 crore as of December 2024 will keep the growth momentum going over the medium term. The group has an established position in the steam engineering and control instrumentation segment, backed by its diversified and reputed customer base, technological expertise through longstanding tie-ups with reputed JV partners, and a robust marketing network. The group provides a one-stop solution to customers and has garnered repeat orders from various clients. Since orders have short cycles, they provide near-term revenue visibility.

- **Strong financial risk profile and robust liquidity:** Financial risk profile of the company continued to be strong marked by negligible outside debt. The strong financial risk profile is expected to sustain in the medium term given the absence of any debt-funded capital expenditure (capex) plan. Capital structure and debt protection metrics as characterised by gearing below 0.05 time, interest coverage above 30 times and net cash accrual by total debt of above 5 times in the medium term. The company is expected to generate above Rs 250 crore cash accruals (post dividend) per annum over the medium term. Liquidity remained strong with free cash and equivalents of above Rs 400 crore as on December 31, 2024 and is expected to be maintained going forward with healthy accruals and moderate capex plans.

#### **Weakness:**

- **Exposure to intense competition:** The group operates in a market where most of the demand is met by large, organised players, and the balance by small local players. Large domestic and international players have high technical expertise and a strong market position in all product offerings. The extent of value addition differs between products and hence, profitability tends to vary with any change in the product mix. In the unorganised segment, the group faces competition from several small players offering products with lesser technological expertise. A slowdown in the capex cycle or growth of end-user industries exerts additional pricing pressure. However, the large portfolio of high-quality products and services helps the Forbes Marshall group provide a one-stop solution to customers.

#### **Liquidity: Strong**

The company is expected to generate healthy cash accruals of Rs 250-400 crore against nil debt obligations and should suffice to meet the incremental working capital needs and capex requirement of Rs 150-250 crore over the medium term. Healthy cash and equivalents of over Rs 400 crore as on December 31, 2024, and almost negligible fund-based bank limit utilisation (fund-based limit of Rs 75 crore) over the 12 months through February 2025 provide additional liquidity buffer.

#### **Outlook: Stable**

Crisil Ratings believes the Forbes Marshall group will continue to benefit from its established market position, healthy capital structure and robust debt protection metrics over the medium term.

#### **Rating sensitivity factors**

##### **Upward factors:**

- Significant increase in revenue while maintaining operating margin at 18-20% on a sustained basis
- Steady healthy financial risk profile

##### **Downward factors:**

- Large capex or inorganic growth, stretch in the working capital cycle or significantly larger-than-expected dividend payout weakening the financial risk profile or liquidity
- Substantial and sustainable decline in revenue and earnings before interest, tax, depreciation and amortization (EBITDA) margin at 12-13% on a sustained basis

#### **About the Company**

Manufacture of products for analysis and control (of steam, gas & liquid) like piston valves, controllers, steam & water analysis system, vibration monitoring systems

#### **About the Group**

The Forbes Marshall group has been in the steam engineering and control instrumentation segment for over seven decades. Its products are used across sectors such as power, cement, metals and mining, fertilisers, pharmaceuticals, food and beverages, and oil and gas. The facilities are in Pimpri, Kasarwadi and Chakan near Pune (Maharashtra). The group has technological tie-ups under JVs with large global players such as Krohne Messtechnik GmbH (Germany), Arca Regler (Germany), and Prometheus N.V. Belgium (Vyncke) in various stages of the steam processing and process control value chain.

FMPL was promoted by Mr Darius Forbes in 1985. It manufactures steam systems, piston valves, stop and safety valves, controllers, instrumentation systems, vibration monitoring systems, steam and water analysis products and systems, and boiler systems.

#### **Key Financial Indicators (Consolidated; Crisil Ratings-adjusted numbers):**

Particulars	Unit	2024	2023
Operating income	Rs crore	1801	1529
Profit after tax (PAT)	Rs crore	210	151
PAT margin	%	11.6	9.9
Adjusted debt/adjusted networkth	Times	0.04	0.06
Interest coverage	Times	34.77	27.3

**Any other information:** Not Applicable

#### **Note on complexity levels of the rated instrument:**

Crisil Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

Crisil Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the Crisil Ratings` complexity levels please visit [www.crisilratings.com](http://www.crisilratings.com). Users may also call the Customer Service Helpdesk with queries on specific instruments.

**Annexure - Details of Instrument(s)**

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Crore)	Complexity Levels	Rating Outstanding with Outlook
NA	Bank Guarantee	NA	NA	NA	120.00	NA	Crisil A1+
NA	Bank Guarantee <sup>&amp;</sup>	NA	NA	NA	30.00	NA	Crisil A1+
NA	Cash Credit	NA	NA	NA	75.00	NA	Crisil AA-/Stable
NA	Letter of Credit	NA	NA	NA	20.00	NA	Crisil A1+

& - Interchangeable with Letter of credit and cash credit (fund based limit) for upto Rs 20 cr

**Annexure – List of entities consolidated**

Name of the entities consolidated	Extent consolidation	Rationale for consolidation
Krohne Marshall Pvt Ltd	Full	Similar businesses, operational synergies, inter-party transactions, and common management and clientele
Forbesvyncke Pvt Ltd	Full	
Forbes Marshall Arca Pvt Ltd	Full	
Forbes Marshall (Hyd) Pvt Ltd	Full	
Gold Coin Maritronics Pvt Ltd	Full	
Forbes Solar Pvt Ltd	Full	
Forbes Marshall Lanka (Pvt) Ltd	Full	
Forbes Marshall Canada Inc	Full	
Codel International Ltd	Full	
FMC Electronics Ltd (step-down subsidiary)	Full	
Combustion Developments Ltd (step-down subsidiary)	Full	
Forbes Marshall Malaysia SDN BHD (step-down subsidiary)	Full	
Forbes Marshall Egypt for Marketing and Trading (step-down subsidiary)	Full	
Forbes Marshall Inc	Full	
Forbes Marshall Pvt Ltd, Bangladesh	Full	
PT Forbes Marshall Indonesia	Full	
Forbes Marshall International Pte Ltd	Full	
Forbes Marshall (Thailand) Co., Ltd.	Full	
Forbes Marshall Vietnam Company Limited	Full	

**Annexure - Rating History for last 3 Years**

Instrument	Current			2025 (History)		2024		2023		2022		Start of 2022
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
<b>Fund Based Facilities</b>	LT	75.0	Crisil AA-/Stable	12-03-25	Crisil AA-/Stable	26-04-24	Crisil AA-/Stable	22-02-23	Crisil A+/Stable		--	Crisil A+/Stable
<b>Non-Fund Based Facilities</b>	ST	170.0	Crisil A1+	12-03-25	Crisil A1+	26-04-24	Crisil A1+	22-02-23	Crisil A1+		--	Crisil A1+

All amounts are in Rs.Cr.

**Annexure - Details of Bank Lenders & Facilities**

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	10	HDFC Bank Limited	Crisil A1+
Bank Guarantee <sup>&amp;</sup>	30	Standard Chartered Bank	Crisil A1+
Bank Guarantee	110	Bank of Maharashtra	Crisil A1+
Cash Credit	55	Bank of Maharashtra	Crisil AA-/Stable
Cash Credit	20	HDFC Bank Limited	Crisil AA-/Stable
Letter of Credit	10	HDFC Bank Limited	Crisil A1+
Letter of Credit	10	Bank of Maharashtra	Crisil A1+

& - Interchangeable with Letter of credit and cash credit (fund based limit) for upto Rs 20 cr

**Criteria Details**

Links to related criteria

[Basics of Ratings \(including default recognition, assessing information adequacy\)](#)

[Criteria for manufacturing, trading and corporate services sector \(including approach for financial ratios\)](#)[Criteria for consolidation](#)

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