May 12, 2020

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

Intimation under Regulation 30 of SEBI (listing Obligations and Disclosure Requirements), Regulations, 2015 - 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 CARE Rating Limited has revised the credit rating and revised the outlook as follows:

Facility	Amount Rated (Rs. in Crores)	Rating	Rating Action
Long – term bank facilities	171.99	CARE A- (Single A Minus); Credit Watch with Negative Implications	Revised from CARE A; Stable [Single A; outlook: Stable] and placed under Credit Watch with Negative Implications
Short term Non fund based limits	38.50	CARE A2+ (A Two Plus); under Credit Watch with Negative Implications	Revised from CARE A1 [A One] and placed under Credit Watch with Negative Implications
Proposed Non-Convertible Debentures	100.00	CARE A- (Single A minus); Credit Watch with Negative Implications	Revised from CARE A; Stable [Single A; outlook: Stable] and placed under Credit Watch with Negative Implications

We are enclosing herewith rationale given by CARE Rating Limited for revision in the credit rating and outlook of Long term bank and short term bank facilities and proposed issue of Non-convertible debentures.

Thanking you

Yours faithfully,
For **Forbes & Company Limited**

PANKAJ KHATTAR

Digitally signed by PANKAJ KHATTAR
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2.5.4.20=3cf2fb92f27031ab6cded140e590055c3776e3b7c4e1b07c419045b13d828ead, postalCode=400706,
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Date: 2020.05.12 21:25:17 +05'30'

Pankaj Khattar
Head Legal & Company Secretary

End: As above

Certified True Copy
For Forbes & Company Limited

Pankaj Khattar
Head Legal & Company Secretary

Annexure
Press Release
Forbes and Company Limited

Ratings

Facilities	Amount (Rs. crore)	Rating[2]	Rating Action
Long term Bank Facilities	171.99	**CARE A-(Single A Minus); Credit Watch with Negative Implications**	**Revised from CARE A; Stable [Single A; Outlook: Stable] and placed under Credit Watch with Negative Implications**
Short term Non fund based limits	38.50	**CARE A2+ (A Two Plus); Credit Watch with Negative Implications**	**Revised from CARE A1 [A One] and placed under Credit Watch with Negative Implications**
Total Facilities	**210.49 (Rupees Two hundred and ten crore and forty nine lakh only)**		
Proposed Non-Convertible Debentures	100.00 (Rupees One hundred crore only)	**CARE A-(Single A Minus); Credit Watch with Negative Implications**	**Revised from CARE A; Stable [Single A; Outlook: Stable] and placed under Credit Watch with Negative Implications**

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the long term and short term bank facilities and proposed Non-Convertible Debentures (NCDs) of Forbes and Company Limited (FCL) take into account, the losses reported at consolidated level for the period ended December 31, 2019, emanating from impairment of goodwill by Rs.150 crore at subsidiary Eureka Forbes Ltd level and decline in revenues for the engineering business as compared to previous year.

Besides, further moderation in the liquidity profile of FCL (consolidated) expected on account of COVID-19 outbreak, average financial risk profile with modest debt coverage indicators and a subdued operational performance, albeit a marginal recovery at consolidated level are other rating weaknesses. Further, the turnaround expected in H2FY2020 for overseas subsidiaries of EFL, has not been achieved and is now expected to be further elongated, given the disruption in operations due to Covid-19 crisis.

The ratings however, continue to derive strength from the experienced and resourceful promoters, combined with the leadership position in electric water purifier and vacuum cleaner segment of key subsidiary Eureka Forbes Ltd which account for around 84% of total operating income for FCL on consolidated basis and adequate sales of inventory and application for Occupancy Certificate (OC) of its real estate venture – 'Vicinia'. The ratings also factor the credit enhancement on part of the outstanding debt of one of its subsidiary Shapoorji Pallonji Forbes Shipping Limited, from SPCPL.

The timely realization of envisaged revenue from FCL's real estate project and receipt of its OC, quick recovery in operating and financial performance of its key subsidiaries and timely completion of refinancing operations for meeting the large debt repayments due in H1FY2021 continue to remain key rating sensitivities. Any major financial support provided to the subsidiaries, sourced from external debt is also a rating monitorable.

The ratings have been placed under 'Credit Watch' on account of the management commitment towards improving liquidity and hence the capital structure of the EFL group and FCL group through asset monetization and/or promoter funding measures by the end of Q1FY21.

Rating Sensitivities

Positive Factors

- Increase in consolidated total income for FCL by 40%
- Improvement in consolidated gearing for FCL below 1.5x

Negative Factors

- Negative variation in the credit profile of the sponsor, SPCPL
- Inability to infuse capital at EFL level within envisaged timelines

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[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

- Higher than expected support to the underlying subsidiaries by way of debt

Detailed description of the key rating drivers
Key Rating Strengths
Strong promoter group: FCL is a subsidiary of Shapoorji Pallonji and Company Limited (SPCPL) which is the flagship company of SP Group. The SP group is a multibillion dollar conglomerate with business interests in several sectors such as real estate, coal mining, power, ports, roads, biofuels & agriculture, shipping & logistics, consumer products, textiles etc. By virtue of being part of the SP Group, FCL draws strength from the experience, management team and resourcefulness of the group. With 72.56% equity shareholding in FCL by SPCPL, CARE believes promoter support shall continue while it is crucial for FCL to also improve its operational and financial performance at consolidated level.

Well-established distribution network of FCL's key subsidiary EFL, which possesses strong brand recall and leadership position in domestic water purification and vacuum cleaners in India: EFL is one of the leading direct sales companies having strong distribution network of more than 4,000 strong direct sales force on payroll and additional 750 plus through channel partners. In the company has presence in 14,700 stores across 800 towns through distributors, dealers and retail partners. Company has wide service network of over 1,500 service partner with 7,000 service engineers across 21,000 postal codes of India. Though, direct selling is the unique selling point (USP) of the company, EFL is widening its reach by tapping online shopping portals, tie up with retailers. EFL has been able to create its presence with brands like Aquaguard, Euroclean and Aquasure.
However, as a result of the world-wide COVID-19 pandemic, all stores and operations of EFL have been shut down. As per management estimates, no revenue was earned during April 2020, leading to liquidity stress in the foreign subsidiaries. Various action plans and cost reduction measures are being explored and undertaken at the group level to deal with the liquidity crisis in European subsidiaries. However, timely implementation and achievement of envisaged results from these measures are crucial from rating perspective.

Satisfactory performance of the existing real estate venture – 'Vicinia': In FY16, FCL initiated a real estate venture along with Videocon Realty and Infrastructure Ltd. (Videocon Group) to jointly develop a land parcel of 6.7 acres at Chandivali, Mumbai. During March 2019, FCL terminated the contract with Videocon Group which has been now taken over by a group company of SPCPL, Paikar Real Estate Private Limited. Share of FCL in the project is 50% (294 flats) of which 200 flats have been sold as on March 31, 2020. Cash inflows from the monetized inventory of Vicinia majorly meet its construction requirement with moderate dependence on working capital borrowings by the company. As on March 31, 2020, the Phase 1 has been completed and application for Occupancy Certificate has been submitted to the municipal authorities. However, due to the lockdown, the certificate has not been received yet.

Key Rating Weaknesses
Moderation in liquidity profile of FCL: The unencumbered cash and bank balances for FCL on consolidated level has seen a steady decline from Rs.136.99 crore (12% of total debt) as on March 31, 2018 to Rs.70.56 crore (7% of total debt) as on March 31, 2019. The decline in FY19 was mainly on account of repayment of borrowings of Rs.120 crore in February 2019.
As per RBI circular instructing banks to allow moratorium on repayments due from March 1, 2020 to May 31, 2020, Forbes Technosys Limited (FTL), a subsidiary of FCL, has availed moratorium on repayments due for the period. FCL and EFL have paid all the repayments due in March 2020 and no major repayments are due during April and May 2020. Further, repayments due on a standalone level for Q1FY21 shall be met out of unutilized working capital limits and cash flows expected from Project Vicinia. However, the group has scheduled debt repayments of ~Rs.210 crore during the period June 2020 to September 2020 which is significantly high. The management is expecting relief packages from international governments, where overseas subsidiaries are located. While CARE has been informed that the management is in discussions with bankers for enhancement and/or refinancing of

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existing debt to meet the said obligations, in case these measures fall through, the group shall have to rely on promoter fund infusions for meeting the scheduled debt repayments.

Subdued operating performance at standalone and consolidated level: FCL adopted the modified retrospective approach under Ind AS 115 as on April 1, 2018 for recognition of revenue from real estate contracts, under which revenue can be recognized only at the time of completion of the property however marketing and administration costs are recorded as and when incurred. As a result, FCL's performance at standalone level remained subdued which is demonstrated in terms of de-growth of 23% in revenue and decline in operating margins.

The consolidated operating performance of FCL was subdued in FY18 due to lack-lustre performance of its subsidiaries during the year. However during FY19, despite decline in FCL on a standalone level, all of the key subsidiaries viz EFL (consolidated), Shapoorji Pallonji Forbes Shipping Limited (SPFSL) and Forbes Technosys Ltd. (FTL) recorded improvement in total operating income (TOI) and either net profit or reduction in net losses. This led to a marginal recovery in consolidated revenues of FCL group. Further, PBILDT margins have also improved from 5.5% during FY18 to 5.6% during FY19.

However, during 9MFY20, FCL has reported a consolidated loss of Rs.193 crore attributable to an impairment of goodwill (relating to the Lux group, Europe) amounting to Rs.150 crore (during Q2FY2020), reported in the consolidated books of EFL, combined with loss in FTL and deferral of project revenue at FCL standalone level.

For detailed rating rationale on EFL and SPFSL, please refer to our website www.careratings.com

Average financial risk profile with weak debt coverage indicators at consolidated level: At consolidated level, FCL's credit profile is marked by borrowings majorly in the books of its subsidiaries. Post adoption of Ind AS 115, FCL had to reverse revenues booked earlier under real estate contracts, leading to a decline in the tangible net worth. As a result, overall gearing marginally deteriorated to 2.80 times as on March 31, 2019 from 2.73 times as on March 31, 2018. However, the Total Debt to GCA improved substantially to 17.20 times as on March 31, 2019 from 32.22 times as on March 31, 2018. The overall gearing ratio further declined to 4.2 times as on September 30, 2019 on account of impairment loss on goodwill on consolidation of Rs.150 crore reported during Q2FY2020. The consolidated net worth further declined to ~Rs.167 crore as on December 31, 2019 from ~Rs.192 crore as on September 30, 2019.

On standalone basis, as on March 31, 2019 capital structure and debt coverage indicators deteriorated following decline in income and profitability. As on March 31, 2019, the overall gearing including corporate guarantees declined to 1.66 times from 1.32 times as on March 31, 2018. However, the management is committed towards improving liquidity and thereby easing capital structure in near to medium term at EFL through asset monetization and/or promoter funding measures by the end of Q1FY21.

Liquidity

Liquidity: Stretched - On a standalone level, repayments of Rs.8.5 crore due during Q1FY2021 shall be met out of undrawn working capital limits ~Rs.15 crore and cash flow expected from Vicinia on receipt of Occupancy certificate.

However, on consolidated level, a subsidiary Shapoorji Pallonji Forbes Shipping Limited has repayments of Rs.147 crore due in July 2020 against which, an amount of Rs.25 Crs approx. is available in DSRA deposit with the bank and asset monetization and refinancing options are being explored currently for the balance due. EFL group has around Rs.70 crore due in FY21, which can be largely met through combination of internal accruals /refinancing/government relief and/or infusion from promoters.

Further, cash balances as on March 31, 2020 on standalone and consolidated FCL level were ~ Rs.4 crore and ~Rs.45 crore respectively.

Analytical approach: Consolidated approach is adopted as the major contribution comes from subsidiaries under the FCL group and there are financial linkages with the subsidiaries for supporting operations. Standalone

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contribution to revenue stands at 8% as on March 31, 2019. List of companies consolidated is attached as Annexure 4.

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings]
[CARE's Policy on Default Recognition]
[Rating Methodology: Consolidation and Factoring Linkages in Ratings]
[Rating Methodology – Manufacturing Companies]
[Rating Methodology – Real Estate Sector]
[Rating of Short Term Instruments]
[Financial Ratios – Non financial sector]

About the Company

Forbes and Company Limited (FCL), a public listed entity is a subsidiary of Shapoorji Pallonji's flagship company Shapoorji Pallonji and Company Private Limited (SPCPL, rated CARE A+/CARE A1+; Credit Watch with Developing Implications), the holding-cum-operating company of the SP group. Forbes & Company Ltd was established in India in 1767 by John Forbes. Over the years, the management of the company moved to various business houses like the Forbes, Campbells, the Tata Group. In FY02, the company's shareholding underwent a restructuring and Shapoorji Pallonji (SP) group acquired a majority stake of 72.56% of the share capital of the company and it became a subsidiary of SPCPL. 1.29% of shares of FCL are held by Forbes Campbell Finance Limited, subsidiary of FCL. Forbes & Company along with its subsidiaries are known as Forbes and Company Group (FCG).

FCL currently operates under two divisions Engineering and Real Estate. FCL had its two manufacturing facilities located at Waluj, Aurangabad and one in Chandivali Mumbai, Maharashtra, however, the operations at Chandivali have been successfully shifted to the factory at Waluj as on January 31, 2020.

Forbes and Company Ltd. Group (FCG) consist of FCL and its subsidiaries which are involved in various business verticals. Given below are the key subsidiaries of FCG –

1. **Eureka Forbes Ltd (EFL) (CARE A-/A-(Is)/A2+; Credit Watch with Negative Implications) - and its subsidiaries**: EFL is a wholly owned company of FCL, it is a leading manufacturer and service provider in the water purification and vacuum cleaners with presence in India, south-east Asia and Europe.
2. **Shapoorji Pallonji Forbes Shipping Ltd (SPFSL):** the company owns and operates five vessels (chemical tankers) which are placed with a pool based out of Singapore.
3. **Forbes Technosys Ltd. (FTL):** sale of different types of kiosks, multifunction ATMs, Micro ATMs, provides IT solutions in transaction processing, services and networks that help organizations handle large transaction volumes efficiently.

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Brief Consolidated Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	2,847.01	2,866.18
PBILDT	156.55	160.58
PAT	-32.21	-2.98
Overall gearing (times)	2.73	2.87
Interest coverage (times)	1.57	1.70

A: Audited; Note: Financials have been classified as per CARE's internal standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	136.49	CARE A- (Under Credit watch with Negative Implications)
Fund-based - LT-EPC/PSC	-	-	-	35.50	CARE A- (Under Credit watch with Negative Implications)
Non-fund-based - ST-BG/LC	-	-	-	38.50	CARE A2+ (Under Credit watch with Negative Implications)
Debentures-Non Convertible Debentures	-	-	--	100.00	CARE A- (Under Credit watch with Negative Implications)

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	136.49	CARE A- (Under Credit watch with Negative Implications)	-	1)CARE A; Stable (26-Nov-19) 2)CARE A+; Negative (09-Oct-19) 3)CARE A+; Stable (05-Apr-19)	1)CARE AA-; Stable (19-Sep-18)	1)CARE AA-; Stable (16-Mar-18) 2)CARE AA-; Stable (04-May-17)
2.	Debentures-Non Convertible Debentures	LT	100.00	CARE A- (Under Credit watch with Negative Implications)	-	1)CARE A; Stable (26-Nov-19) 2)CARE A+; Negative (09-Oct-19) 3)CARE A+; Stable (05-Apr-19)	1)CARE AA-; Stable (19-Sep-18)	1)CARE AA-; Stable (16-Mar-18) 2)CARE AA-; Stable (04-May-17)
3.	Fund-based - LT-EPC/PSC	LT	35.50	CARE A- (Under Credit watch with Negative Implications)	-	1)CARE A; Stable (26-Nov-19)	-	-
4.	Non-fund-based - ST-BG/LC	ST	38.50	CARE A2+ (Under Credit watch with Negative Implications)	-	1)CARE A1 (26-Nov-19)	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Bank facilities	Detailed explanation
A. Financial covenants	
I. TOL/TNW	Shall not exceed 3 times
II. Management Control	To remain within SP group until closure of the loan
III. Asset Cover	Minimum asset cover of 1.25 times has to be maintained at all times during the currency of the loan (subject to bank's valuation)
B. Non-financial covenants	
I. Guarantees	To be executed in a format acceptable to the bank and with quantum and duration of the liability clearly specified in unequivocal terms

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CARE Ratings Ltd.

A Wing - 1102 / 1103, Kanakia Wall Street, Andheri Kurla Road, Chakala, Andheri (E), Mumbai - 400 093
Tel: +91-22-6837 4400

Bank facilities	Detailed explanation
II. Bills discounted	- Bills having usance period more than 90 days not eligible for bank finance - Bills discounted with one bank will not be discounted with any other bank/FIs

Annexure-4: List of subsidiaries consolidated

Name of companies	% of holding
Subsidiaries	
1. Eureka Forbes Limited and its subsidiaries:	100
1.1. Aquadiagnostics Water Research & Technology Center Limited (Upto June 25, 2018)	-
1.2. Aquaignis Technologies Private Limited (wef June 13, 2018)	100
1.3. Forbes Lux International AG	100
1.4. Lux International AG	100
1.5. Lux del Paraguay S.A.	50
1.6. Forbes International AG (formerly Forbes Lux Group AG)	-
1.7. Lux Italia srl	100
1.8. Lux Schweiz AG	100
1.9. Lux (Deutschland) GmbH	100
1.10. Lux International Services and Logistics GmbH (formerly Lux Service GmbH)	100
1.11. Lux Norge A/S	100
1.12. Lux Osterreich GmbH	100
1.13. Lux Hungária Kereskedelmi Kft.	100
1.14. Lux Aqua Hungária Kft (upto April 30, 2018)	-
1.15. LIAG Trading & Investment Ltd.	100
1.16. Lux Professional International GmbH (formerly Lux Aqua GmbH)	-
1.17. Lux Aqua Czech s.r.o (upto April 30, 2018)	-
1.18. Lux International Service Kft (w.e.f 6th January, 2017)	-
1.19. Lux Aqua Paraguay S.A (w.e.f 1st December, 2016)	90
1.20. EFL Mauritius Limited	100
1.21. Euro Forbes Financial Services Limited	100
1.22. Euro Forbes Limited	100
1.23. Forbes Lux FZCO	100
1.24. Forbes Facility Services Private Limited	100
1.25. Forbes Enviro Solutions Limited	100
2. Forbes Campbell Finance Limited and its subsidiaries:	100
2.1. Forbes Campbell Services Limited	98
2.2. Forbes Edumetry Limited	57.5
3. Forbes Technosys Limited	100
4. Volkart Fleming Shipping and Services Limited	100
5. Shapoorji Pallonji Forbes Shipping Limited	25
6. Campbell Properties & Hospitality Services Limited	100
Joint Ventures	
1. Forbes Aquatech Limited	50
2. Forbes Concept Hospitality Services Private Limited	50
3. Infinite Water Solutions Private Limited	50
4. Forbes G4S Solutions Private Limited	-
5. Aqualgnis Technologies Private Limited	-
6. AMC Cookware (Proprietary) Limited $	50
7. Forbes Bumi Armada Limited	51
Associates	
Euro P2P Direct (Thailand) Co. Limited	49
Nuevo Consultancy Services Private Limited	49
Dhan Gaming Solution (India) Private Limited	49

$Reporting date is December 31, 2018

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