

July 1, 2019

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 - Rating/revision in credit rating of various facilities**

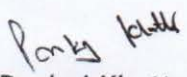
Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015, we wish to inform you that ICRA Limited has revised credit rating of various facilities as follows:

Facility	Amount Rated (Rs. in Crores)	Rating	Rating Action
Long - term Fund-based Limits	71.50	[ICRA] A(Negative)	Revised from [ICRA] A+ (Negative)
Short-term Fund-based Limits	16.00	[ICRA] A1	Revised from [ICRA] A1+
Short-term Non-Fund based Limits	38.50	[ICRA] A1	Revised from [ICRA] A1+
Unallocated Limits	25.99	[ICRA]A (Negative)/[ICRA] A1	Revised from [ICRA] A+ (Negative)/[ICRA] A1+
Non- Convertible Debentures	40.00	[ICRA] A(Negative)	Revised from [ICRA] A+ (Negative)
Commercial Paper	80.00	[ICRA] A1	Revised from [ICRA] A1+

We are enclosing herewith rationale given by ICRA Limited for revision in ratings of Long & Short term Fund/Non-Fund limits, Non-convertible Debentures and Commercial paper.

Thanking you

Yours faithfully,  
 For Forbes & Company Limited

  
 Pankaj Khattar  
 Head Legal & Company Secretary

End: As above



## Forbes & Company Limited

July 1, 2019

### Forbes & Company Limited: Ratings downgraded to [ICRA]A(Negative)/[ICRA]A1

#### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based Limits	72.5	71.5	[ICRA]A(Negative); downgraded from [ICRA]A+(Negative)
Short-term Fund-based Limits	16.0	16.0	[ICRA]A1; downgraded from [ICRA]A1+
Short-term Non-fund Based Limits	40.5	38.5	[ICRA]A1; downgraded from [ICRA]A1+
Unallocated Limits	22.99	25.99	[ICRA]A(Negative)/[ICRA]A1; downgraded from [ICRA]A+(Negative)/[ICRA]A1+
Non-convertible Debenture Programme	40.0	40.0	[ICRA]A(Negative); downgraded from [ICRA]A+(Negative)
Commercial Paper	80.0	80.0	[ICRA]A1; downgraded from [ICRA]A1+
<b>Total</b>	<b>271.99</b>	<b>271.99</b>	

\*Instrument details are provided in Annexure-1

#### Rationale

The ratings downgrade primarily reflects the weakening financial profile of the parent company, Shapoorji Pallonji and Company Private Limited (SPCCL), and the continuing moderate consolidated financial profile of Forbes & Company Limited (FCL) driven primarily by its subsidiaries - Eureka Forbes Limited (EFL) and Forbes Technosys Limited (FTL). ICRA, however, notes that the company's consolidated operating performance has improved, as reflected in increase in reported OPBDITA margins to 5.4% in FY2019 from 4.7% in FY2018, and reduction in debt levels to Rs. 1,069.5 crore as on March 31, 2019 from Rs. 1,189.0 crore as on March 31, 2018. Although, the debt coverage indicators remained weak as reflected in reported Total Debt/OPBDITA of 7.0x and reported interest coverage of 1.6x in FY2019.

The subdued growth of EFL's domestic health and hygiene business (operating margins of ~4% in FY2019) and the weak operating performance of its international health and hygiene business (under EFL's subsidiaries) impacted FCL's overall consolidated risk profile. ICRA notes that the performance of EFL's international business marginally improved in FY2019, and while the company has a strategy in place to turn around its domestic and international operations, the outcome and timelines of the same remain crucial to improve FCL's overall credit profile. Further, the performance of its other subsidiary, FTL, remains subdued. FTL's management has undertaken many initiatives in the last six months, such as cost rationalisation and product portfolio diversification, which improved its operating margins to 16.7% in FY2019 from 4.8% in FY2018. Though these initiatives are expected to further improve FTL's performance, it would still be dependent on refinancing/support from FCL for its debt repayments.



The ratings also factor in the improving performance of FCL's engineering business and the healthy progress/bookings witnessed in its ongoing real estate residential project, Vicinia (being concurrently developed with a co-developer), which are expected to improve its cash flows and liquidity profile. ICRA continues to derive comfort from FCL's significant real estate holdings, which apart from providing a steady rental income could lead to increase its cash flows, if monetised.

### Outlook: Negative

ICRA expects FCL's consolidated risk profile to remain under pressure until there is a significant turnaround in performance of its key subsidiaries - EFL and FTL. The ratings may be downgraded in case of downgrade in its parent's rating, or if the performance of its subsidiaries remains weak, or if there is any delay in progress of the ongoing real estate project adversely impacting its financial risk profile and liquidity position. The outlook may be revised to Stable if the management initiatives towards turnaround in operations of EFL and FTL improve the overall cost structure, resulting in a higher-than-expected improvement in profitability, thereby strengthening the consolidated financial risk profile.

### Key rating drivers

#### Credit strengths

**Strengths as subsidiary of SPCPL** - The ratings draw comfort from the parentage of SPCPL, which despite a weakening profile in recent times, holds ~73.85% of the paid-up share capital of FCL. SPCPL is the flagship company of the Shapoorji Pallonji (SP) Group, which is a diversified industrial conglomerate comprising a Group of companies held by the Mistry family. The SP Group has a diversified presence across sectors such as construction (SPCPL and 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 the largest private shareholder (18.37%) in Tata Sons Limited, the holding company of the Tata Group.

**Significant real estate holdings at standalone level** - The company's significant real estate holdings, apart from providing a steady stream of rental income (Rs. 18.2 crore in FY2019), could lead to an increase in its cash flows, if monetised. Further, the performance of the engineering division has improved over the last year, thereby supporting its standalone operations.

**Healthy bookings in Vicinia** - The company has received healthy bookings for ~70% of the total saleable area in its real estate residential project, Vicinia, in Mumbai till March 2019. Given the healthy response, the company expects to fund the project primarily through the resultant healthy customer advances. While ICRA notes the healthy response, timely project completion and ability to maintain high collection efficiency will be critical to support the company's cash flows and liquidity profile.

#### Credit challenges

**Stretched consolidated credit profile due to underperformance of key subsidiaries** - The continued past weak performance of its key subsidiaries (EFL and FTL) has impacted the company's overall financial performance at the consolidated level, as reflected in low profitability and stretched debt coverage indicators. Despite the improvement in consolidated operating margins (to 5.4% in FY2019 from 4.7% in FY2018) and the reduction in debt levels (to Rs. 1,069.5 crore as on March 31, 2019 from Rs. 1,189.0 crore as on March 31, 2018), FCL's debt coverage indicators remained weak



as reflected in reported Total Debt/OPBDITA of 7.0x and reported interest coverage of 1.6x in FY2019. ICRA also notes that the managements of EFL and FTL have taken various business improvement measures, with a strategy in place to turn around the operations; however, outcome and timelines of the same remain crucial to improve FCL's overall credit profile.

**Refinancing risk** - FCL's subsidiaries - EFL, FTL and Shapoorji Pallonji Forbes Shipping Limited (SPFSL) - remain exposed to refinancing risk due to their scheduled debt repayments<sup>1</sup> over the next two years. However, comfort can be taken from the SP Group's financial flexibility with a demonstrated track record of debt refinancing in the past.

**Financial support to Group entities** - The company has supported its Group entities (FTL and EFL) through investments in the form of equity/preference shares and guarantees (Rs. 214.0 crore as on March 31, 2019) for its borrowings. Any further sizeable support to its Group entities will be a key rating monitorable.

### Liquidity position

Despite the improvement in consolidated operating margins and reduction in debt levels to 1,069.5 crore as on March 31, 2019 from 1,189.0 crore as on March 31, 2018, the company's liquidity position at the consolidated level remains stretched due to subdued performance of its key subsidiaries - EFL and FTL, and major debt repayments over the next two years. However, liquidity remains supported by free cash and liquid investments (Rs. 73.2 crore as on March 31, 2019), expected cash flows from Vicinia real estate residential project and sizeable real estate holdings which, when monetised, could provide an upside to the company's cash flows. Further, comfort can be taken from the SP Group's financial flexibility with a demonstrated track record of debt refinancing in the past. The management is also taking various initiatives for improving the performances of low profitable/loss making subsidiaries, while continuing to focus on the profitable segments. The timing and success of these initiatives are critical for improving the company's credit profile and are key rating sensitivities.

### Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Impact of Parent or Group Support on an Issuer's Credit Rating</a> <a href="#">Rating Methodology for Real Estate Entities</a> <a href="#">Rating Methodology for Entities in the Shipping Industry</a>
Parent/Group Support	ICRA expects FCL's parent, SPCPL (rated [ICRA]AA-&/[ICRA]A1+), to be willing to extend financial support to it, should there be a need, given its importance.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of FCL. As on March 31, 2019, the subsidiaries/joint ventures (JVs) of FCL are enlisted in Annexure-2.

### About the company

FCL traces its origins to 1767 when John Forbes of Scotland started his business in India. Over the years, the company's management moved from the Forbes family to the Campbells to the Tata Group and finally, to the SP Group. During this period, the company went through a series of mergers and demergers, and had to disengage from different businesses.

<sup>1</sup>EFL has debt repayments of Rs. 67.1 crore in FY2020 and Rs. 65.9 crore in FY2021. FTL has debt repayments of Rs. 38.4 crore in FY2020 and Rs. 44.3 crore in FY2021. SPFSL has debt repayments of Rs. 41.9 crore in FY2020 and Rs. 136.8 crore in FY2021.



Initially known as Forbes Gokak Limited, the company's name was changed to Forbes & Company Limited with effect from October 25, 2007. The SP Group holds ~73.85% of the paid-up share capital of FCL.

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

Further, FCL has many subsidiary companies, JVs and associate companies. In terms of revenue contribution, on a consolidated basis, EFL (100% subsidiary of FCL) contributes more than 80% to its total operating income. The other major Group companies, which contribute to the overall revenues of the consolidated entity, include FTL (100% subsidiary of FCL) and SPFSL (JV with Sterling Investment Corporation Limited and G.S Enterprises (an SP Group company) with FCL holding a 25% stake).

### Key financial indicators (audited)

Rs. crore	Standalone		Consolidated	
	FY2018	FY2019	FY2018	FY2019
Operating Income (Rs. crore)	293.7	228.0	2,822.9	2,853.4
PAT (Rs. crore)	40.9	10.3	-41.6	-10.2
OPBDIT/ OI	21.5%	13.0%	4.7%	5.4%
RoCE	15.0%	6.6%	5.7%	6.7%
Total Debt/ TNW(times)	0.6	0.7	2.7	2.9
Total Debt/ OPBDIT (times)	2.7	5.7	8.9	7.0
Interest Coverage (times)	3.9	1.7	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 - Capital Advances)*

**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 in FY2020 July 2019	Date & Rating in FY2019 October 2018	Date & Rating in FY2018 September 2017	Date & Rating in FY2017 August 2016
1 Fund-based Limits	Long-term	71.50	-	[ICRA]A(Negative)	[ICRA]A+(Negative)	[ICRA]AA-(Negative)	-
2 Fund-based Limits	Short-term	16.00	-	[ICRA]A1	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
3 Non-fund Based Limits	Short-term	38.50	-	[ICRA]A1	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
4 Unallocated Limits	Long-term/Short-term	25.99	-	[ICRA]A(Negative)/ [ICRA]A1	[ICRA]A+(Negative)/ [ICRA]A1+	[ICRA]AA-(Negative)/ [ICRA]A1+	-
5 Non-convertible Debenture Programme	Long-term	40.00	40.00	[ICRA]A(Negative)	[ICRA]A+(Negative)	[ICRA]AA-(Negative)	[ICRA]AA-(Stable)
6 Commercial Paper	Short-term	80.00	Nil	[ICRA]A1	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
7 Term Loans	Long-term	-	-	-	-	-	[ICRA]AA-(Stable)
8 Non-convertible Debenture Programme	Long-term	-	-	-	Rs. 60.0 crore Withdrawn	[ICRA]AA-(Negative)	[ICRA]AA-(Stable)

\*As on May 31, 2019

### 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](http://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
NA	Long-term Fund-based Limits	NA	NA	NA	71.5	[ICRA]A(Negative)
NA	Short-term Fund-based Limits	NA	NA	NA	16.0	[ICRA]A1
NA	Short-term Non-fund Based Limits	NA	NA	NA	38.5	[ICRA]A1
NA	Unallocated Limits	NA	NA	NA	25.99	[ICRA]A(Negative)/ [ICRA]A1
INE518A07044	Non-convertible Debenture	20-July-2016	9.10%	22-July-2019	40.0	[ICRA]A(Negative)
NA	Commercial Paper	NA	NA	7-365 days	80.0	[ICRA]A1

Source: Forbes & Company Limited

### Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
<b>Subsidiary Companies</b>		
Eureka Forbes Limited and its Subsidiaries	100.0%	Full Consolidation
Aqualgnis Technologies Private Limited	100.0%	Full Consolidation
Forbes Lux International AG Baar	100.0%	Full Consolidation
Lux International AG	100.0%	Full Consolidation
Lux del Paraguay S.A.	50.0%	Full Consolidation
Forbes International AG	100.0%	Full Consolidation
Lux Italia srl	100.0%	Full Consolidation
Lux Schweiz AG	100.0%	Full Consolidation
Lux (Deutschland) GmbH	100.0%	Full Consolidation
Lux International Services and Logistics GmbH	100.0%	Full Consolidation
Lux Norge A/S	100.0%	Full Consolidation
Lux Osterreich GmbH	100.0%	Full Consolidation
Lux Hungária Kereskedelmi Kft.	100.0%	Full Consolidation
LIAG Trading & Investment Ltd.	100.0%	Full Consolidation
Lux Professional International GmbH	100.0%	Full Consolidation
Lux Aqua Czech s.r.o (up to April 30, 2018)	100.0%	Full Consolidation
Lux International Service Kft (w.e.f January 6, 2017)	100.0%	Full Consolidation
Lux Aqua Paraguay S.A (w.e.f December 1, 2016)	90.0%	Full Consolidation
EFL Mauritius Limited	100.0%	Full Consolidation
Euro Forbes Financial Services Limited	100.0%	Full Consolidation
Euro Forbes Limited, UAE	100.0%	Full Consolidation
Forbes Lux FZCO	99.4%	Full Consolidation
Forbes Facility Services Private Limited	100.0%	Full Consolidation
Forbes Enviro Solutions Limited	100.0%	Full Consolidation
Forbes Campbell Finance Limited and its Subsidiaries	100.0%	Full Consolidation
Forbes Campbell Services Limited	98.0%	Full Consolidation
Forbes Edumetry Limited	57.5%	Full Consolidation

Forbes Technosys Limited	100.0%	Full Consolidation
Volkart Fleming Shipping and Services Limited	100.0%	Full Consolidation
Shapoorji Pallonji Forbes Shipping Limited	25.0%	Full Consolidation
Campbell Properties & Hospitality Services Limited	100.0%	Full Consolidation

#### Joint Ventures

Forbes Aquatech Limited	50.0%	Equity Method
Forbes Concept Hospitality Services Private Limited	50.0%	Equity Method
Infinite Water Solutions Private Limited	50.0%	Equity Method
Forbes G4S Solutions Private Limited	50.0%	Equity Method
Aqualgnis Technologies Private Limited	50.0%	Equity Method
AMC Cookware Limited	50.0%	Equity Method
Forbes Bumi Armada Limited	51.0%	Equity Method

#### Associates

Euro P2P Direct (Thailand) Co. Limited	49.0%	Equity Method
Nuevo Consultancy Services Private Limited	49.0%	Equity Method