October 10, 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

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 reaffirmed the credit rating and revised the outlook as follows:

Facility	Amount Rated (Rs. in Crores)	Rating	Rating Action
Long - term Bank facilities	110.00	CARE A+; (Negative) (Single A Plus; Outlook: Negative)	Rating reaffirmed and outlook revised to negative
Proposed Non-Convertible Debentures	100.00	CARE A+; (Negative) (Single A Plus; Outlook: Negative)	Rating reaffirmed and outlook revised to negative

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

Thanking you

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

Pankaj Khattar
Head Legal & Company Secretary

End: As above

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CIN No.: L17110MH1919PLC000628

Annexure-2
Press Release

Ratings

Facilities	Amount (Rs. crore)	Rating[2]	Rating Action
Long term Bank Facilities	110.00	**CARE A+; Negative (Single A Plus; Outlook: Negative)**	Rating reaffirmed and outlook revised to Negative
Total Facilities	**110.00 (Rupees One hundred and ten crore only)**		
Proposed Non-Convertible Debentures	100.00 (Rupees One hundred crore only)	**CARE A+; Negative (Single A Plus; Outlook: Negative)**	Rating reaffirmed and outlook revised to Negative

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation in ratings assigned to the bank facilities and proposed long term instruments of Forbes and Company Limited (FCL) 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 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 Company (SPFSL, rated 'CARE A(CE), Stable'/'CARE A+(CE); Under Credit Watch with Developing Implications') from SPCPL.

The rating strengths are however, tempered by moderation in liquidity profile of FCL (consolidated), an average financial risk profile with modest debt coverage indicators and a subdued operational performance, albeit marginal recovery at a consolidated level.

The ratings also take cognizance the revision in rating assigned to long-term instrument of ultimate holding entity Shapoorji Pallonji and Company Private Limited (SPCPL) in FY20 (revised to 'CARE AA-; under Credit Watch with Developing Implications' from 'CARE AA; under Credit Watch with Developing Implications' and short term instrument reaffirmed at CARE A1+).

The timely realization of envisaged revenue from FCL's real estate project, improvement in operating and financial performance of its key subsidiaries continue to remain key rating sensitivities. Any major financial support provided to the subsidiaries sourced from external debt is also a rating monitorable.

<u>Outlook: Negative</u>

The revision of outlook from stable to negative is reflects the weak demand outlook in the near to medium term attributable to headwinds in macro-environment due to which CARE expects to see moderation in growth during in FY20. The outlook may be revised to stable if the demand outlook improves and the group is able to successfully strengthen its financial profile.

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.

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

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(Formerly known as Credit Analysis & Research Limited)
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During June 2019, rating assigned to the long term instrument of SPCPL was revised to 'CARE AA-; under Credit Watch with Developing Implications' from 'CARE AA; under Credit Watch with Developing Implications' and short term instrument reaffirmed at CARE A1+.

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.

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 194 flats have been sold as on Jul 31, 2019. Cash inflows from the monetized inventory of Vicinia majorly meet its construction requirement with moderate dependence on working capital borrowings by the company.

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.190.34 crore (16% of total debt) as on March 31, 2017 to Rs.136.99 crore (12% of total debt) as on March 31, 2018 and 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. However, the liquidity for the company is supported by unutilized fund based working capital bank limits amounting to Rs.35 crore providing for limited back-up.

Subdued operating performance at standalone and consolidated level, albeit marginal recovery at 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.

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.

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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.

Liquidity

Liquidity: Adequate - On a standalone basis, FCL has liquidity in the form of unutilized bank limits amounting to ~Rs.35 crore as on August 31, 2019. Despite decline from 0.61x as on March 31, 2018 to 0.73x as on March 31, 2019, the overall gearing is still below unity, providing with adequate flexibility to raise additional debt if required. Further, on a consolidated basis, there is free cash balance of Rs.92 crore as on June 30, 2019 while the overall gearing has marginally declined on a consolidated basis from 2.73x as on March 31, 2018 to 2.87x as on March 31, 2019. No major capex requirements expected in FY20-22.

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 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: Factoring Linkages in Ratings
Rating Methodology – Manufacturing Companies
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 AA- (under Credit Watch with Developing Implications)/CARE A1+), 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 is having its two manufacturing facilities located at Waluj, Aurangabad and one in Chandivali Mumbai, Maharashtra.

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+; Stable/CARE A+(Is); Stable/ CARE A1+) - 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)(CARE A+(CE); under credit watch with developing implication and CARE A(CE); Stable:** 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*

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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

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	-	-	-	110.00	CARE A+; Negative
Debentures-Non Convertible Debentures	-	-	3 years	100.00	CARE A+; Negative

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	110.00	CARE A+; Negative	1)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+; Negative	1)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)	-

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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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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Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**