

April 9, 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 CARE Rating Limited has reaffirmed/ revised credit rating of various facilities as follows:

Facility	Amount (Rs. in Crores)	Rating	Rating Action
Long - term Bank facility	110.00 (enhanced from 75)	CARE A+; Stable (Single A Plus; Outlook: Stable)	Revised from CARE AA-; Stable (Double A Minus; Outlook: Stable)
Proposed Non-Convertible Debentures	100.00	CARE A+; Stable (Single A Plus; Outlook: Stable)	Revised from CARE AA-; Stable (Double A Minus; Outlook: Stable)

We are enclosing herewith rationale given by CARE Rating Limited for revision in ratings of Long term Bank Facilities and Non-convertible Debentures.

Thanking you

Yours faithfully,
For Forbes & Company Limited


Pankaj Khattar
Head Legal & Company Secretary

End: As above

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Forbes and Company Limited

April 5, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	110.00 (enhanced from 75.00)	CARE A+; Stable (Single A Plus; Outlook: Stable)	Revised from CARE AA-; Stable (Double A Minus; Outlook: stable)
Total Facilities	110.00 (Rs One Hundred and Ten Crore only)		
Proposed Non convertible Debentures	100.00 (Rs. One hundred crore only)	CARE A+; Stable (Single A Plus; Outlook: Stable)	Revised from CARE AA-; Stable (Double A Minus; Outlook: stable)

Details of Instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities and proposed long term instruments of Forbes and Company Limited (FCL) factor in the average financial risk profile with weak debt coverage indicators of the company at consolidated level over the period FY17-FY18 owing to continued losses in the major subsidiaries of FCL along with decline in the liquidity level maintained by the group.

The rating also takes into account the revision in rating assigned to long-term instrument of ultimate holding entity Shapoorji Pallonji and Company Private Limited (SPCPL) in FY19 (revised to 'CARE AA; under Credit Watch with Developing Implications' from 'CARE AA+; Stable' and short term instrument reaffirmed at CARE A1+).

The ratings however continue to derive strength from the leadership position in electric water purifier and vacuum cleaner segment of key subsidiary Eureka Forbes Ltd which account for around 80% of total operating income for FCL on consolidated basis and adequate sales of inventory of its real estate venture – 'Vicinia'. The ratings also factors the Credit Enhancement on part of the outstanding debt of one of its subsidiary Shapoorji Pallonji Forbes Shipping Company (SPFSL, rated 'CARE AA-(SO), Stable') from SPCPL.

The timely realization of envisaged revenue from its real estate project, improvement in operating and financial performance of its key subsidiaries would be key rating sensitivity. Any major financial support provided to the subsidiary sourced from external debt is also a rating monitorable.

Please refer to www.careratings.com for the detailed rationale of SPCPL

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.

During December 2018 rating assigned to the long term instrument of SPCPL was revised to 'CARE AA; under Credit Watch with Developing Implications' from 'CARE AA+; Stable' 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 14,000 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 ~5 acres at Chandivali, Mumbai. During March 2019, FCL terminated the contract with Videocon Group which has been now taken over by a

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

group company of SPCPL, Paikar Real Estate Private Limited. Share of FCL in the project is 50% (294 flats) of which 186 flats was sold as on February 28, 2019. Cash inflows from the monetized inventory of Vicinia majorly meet its construction requirement with moderate dependence on working capital borrowing 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 as on March 31, 2017 to Rs.136.99 crore as on March 31, 2018. During FY19, usage of cash towards repayment of borrowing and investment in subsidiary has further reduced with available cash and bank balance to around Rs.60 crore as at end of February 2019. However, the liquidity for the company is supported by un-utilised fund based working capital bank limits amounting to Rs.22.15 crore providing for limited back-up.

Subdued operating performance at consolidated level: FCL performance at consolidated level remained subdued which is demonstrated in terms of de-growth in revenue and stagnant operating margins.

All of the key subsidiaries viz EFL (consolidated), Shapoorji Pallonji Forbes Shipping Limited (SPFSL) and Forbes Technosys Ltd. (FTL) recorded decline in total operating income (TOI) and net losses. The total operating income (TOI) declined by 6.02% on YOY decline to Rs.2,849 crore in FY18 from Rs.3,032 crore in FY17. During FY18, the PBILDT margins have marginally recovered from 4.61% in FY17 to 5.57% in FY18 due to higher margins derived from real estate business of FCL. On standalone level, FCL's TOI grew by 10% on y-o-y basis with major contribution from project "VICINIA" and improvement in earnings from the engineering division. TOI increased from Rs.270 crore in FY17 to Rs.298 crore in FY18. PBILDT margins improved to 22% during FY18 from 15.49% during FY17. However, improvement in standalone performance could not mitigate losses in subsidiaries which resulted in consolidated network to decline from Rs.446 crore in FY17 to Rs.435 crore in FY18.

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. Owing to subdued operating performance of key subsidiaries and subsequent losses incurred, overall gearing marginally deteriorated to 2.73 times as on March 31, 2018 from 2.61 times as on March 31, 2017. Total Debt to GCA remained weak at Rs.36.91 crore in FY18 from 147.46 crore in FY17.

Analytical approach: CARE has adopted consolidated approach is adopted as the major contribution comes from subsidiaries under FCL group and there are financials linkages with the subsidiaries for supporting the operations. Standalone contribution stands around 9% as on March 31, 2018. Companies consolidated are provided in Annexure-3

Applicable Criteria

[Criteria on assigning Outlook 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, the holding-cum-operating company of the Shapoorji Pallonji group. Over the years, the management of the company moved to various business houses like the Forbes, Campbells and the Tata Group. In FY02, the company's shareholding underwent a restructuring and Shapoorji Pallonji group (SP group) acquired a majority equity stake of 72.56% thereby translating it into a subsidiary of SPCPL. Forbes & Company along with its subsidiaries are known as Forbes and Company Group (FCG).

FCL upto FY16 was operating four divisions namely - Engineering, Energy Solutions, Real Estate and Shipping and Logistics, however during H1-FY17 the group has sold their shipping and logistics business and are now actively operating three divisions- Engineering, Energy Solutions and Real Estate. FCL is having their 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) - 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 AA-(SO); under credit watch with developing implication and CARE A(SO); 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.

Brief Consolidated Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	3,032.01	2,849.45
PBILDT	140.01	158.99
PAT	89.34	-32.21
Overall gearing (times)	2.61	2.73
Interest coverage (times)	1.88	1.59

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

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

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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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	-	-	August 2021	60.00	CARE A+; Stable
Proposed Fund-based - LT-Term Loan	-	-	-	50.00	CARE A+; Stable
Proposed Debentures-Non Convertible Debentures	-	-	-	100.00	CARE A+; Stable

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	110.00	CARE A+; Stable	1)CARE AA-; Stable (19-Sep-18)	1)CARE AA-; Stable (16-Mar-18) 2)CARE AA-; Stable (04-May-17)	-	-
2.	Proposed Debentures-Non Convertible Debentures	LT	100.00	CARE A+; Stable	1)CARE AA-; Stable (19-Sep-18)	1)CARE AA-; Stable (16-Mar-18) 2)CARE AA-; Stable (04-May-17)	-	-

Annexure-3: The list of companies which are included in the consolidated FY18 financial statements and the Group's holdings therein are as under:

Name of company	% consolidated
subsidiary companies	
Eureka Forbes Limited and its subsidiaries:	100
- Aquadiagnostics Water Research & Technology Center Limited	100
- Forbes Lux International AG Baar	100
- Lux International AG	100
- Lux del Paraguay S.A.	50
- Forbes International AG (formerly Forbes Lux Group AG)	100
- Lux Italia srl	100
- Lux Schweiz AG	100
- Lux (Deutschland) GmbH	100
- Lux International Services and Logistics GmbH (formerly Lux Service GmbH)	100
- Lux Norge A/S	100
- Lux Osterreich GmbH	100
- Lux Hungária Kereskedelmi Kft.	100
- Lux Aqua Hungária Kft	100
- LIAG Trading & Investment Ltd.	100
- Lux Professional International GmbH (formerly Lux Aqua GmbH)	100
- Lux Aqua Czech s.r.o (w.e.f 6th May, 2016)	100
- Lux International Service Kft (w.e.f 6th January, 2017)	100
- Lux Aqua Paraguay S.A (w.e.f 1st December, 2016)	90
- EFL Mauritius Limited	100
- Euro Forbes Financial Services Limited	100
- Euro Forbes Limited	100
- Forbes Lux FZCO	99.42

Name of company	% consolidated
- Forbes Facility Services Private Limited	100
- Forbes Enviro Solutions Limited	100
Forbes Campbell Finance Limited and its subsidiaries:	100
- Forbes Campbell Services Limited	98
- Forbes Edumetry Limited	57.5
Forbes Technosys Limited	100
Volkart Fleming Shipping and Services Limited	100
Shapoorji Pallonji Forbes Shipping Limited	25
Campbell Properties & Hospitality Services Limited	100
Joint ventures	
Forbes Aquatech Limited	50
Forbes Concept Hospitality Services Private Limited	50
Infinite Water Solutions Private Limited	50
Forbes G4S Solutions Private Limited	50
Aqualgnis Technologies Private Limited	50
AMC Cookware Limited \$	50
Forbes Bumi Armada Limited.	51
Associates	
Euro P2P Direct (Thailand) Co. Limited	49
Nuevo Consultancy Services Private Limited	49

\$Reporting date is 31st December, 2017

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CIN - L67190MH1993PLC071691