

March 10, 2022

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

Dear Sirs,

Subject: 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 vide their letter dated March 7, 2022 (received on March 9, 2022) revised the credit rating and revised the outlook as follows:

Facility	Amount Rated (Rs. in Crores)	Rating	Rating Action
Long - term bank facilities	126.48 (Reduced from 171.99)	CARE BBB-; Stable (Triple B Minus; Outlook; Stable)	Revised from CARE BB+ (Double B Plus) and removed from Credit watch with Positive Implications; Stable outlook assigned
Short term bank facilities	23.50 (Reduced from 38.50)	CARE A3 (A Three)	Revised from CARE A4+ (A Four Plus) and removed from Credit Watch with Positive Implications
Total Facilities	149.98 (Rupees One Hundred Forty-Nine Crore and Ninety Eight Lakhs Only)		
Non-Convertible Debentures	00.00	-	Withdrawn since not required

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

Kindly acknowledge receipt.

Yours faithfully,
 For Forbes & Company Limited


 Pankaj Khattar
 Head Legal & Company Secretary
 Encl: As above

Annexure 2

Press Release

Forbes and Company Limited

Ratings

Facilities	Amount (Rs. crore)	Rating ²	Rating Action
Long Term Bank Facilities	126.48 (Reduced from 171.99)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Revised from CARE BB+ (Double B Plus) and removed from Credit watch with Positive Implications; Stable outlook assigned
Short Term Bank Facilities	23.50 (Reduced from 38.50)	CARE A3 (A Three)	Revised from CARE A4+ (A Four Plus) and removed from Credit watch with Positive Implications
Total Facilities	149.98 (Rs. One Hundred Forty- Nine Crore and Ninety- Eight Lakhs Only)		
Non-Convertible Debentures	0.00	-	Withdrawn

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The above ratings were placed under 'Credit Watch' with positive implications, following the announcement of acquisition of major shareholding of its subsidiary, Eureka Forbes Ltd. (EFL) by Advent International. Since the exact impact of the above development on the credit quality of FCL could not be ascertained at that point of time, the ratings were placed on credit watch. However, consequent to the detailed assessment of the same by CARE, the ratings have been removed from credit watch while assigning a 'Stable' outlook.

Under the Composite Scheme of Arrangement as on February 01, 2022, EFL has got merged and subsequently demerged from FCL into a separate entity. While the European operations continue to remain under FCL (as direct subsidiary vis-à-vis step down subsidiary erstwhile), the domestic operations of Health & Hygiene have been hived off to EFL. As on February 28, 2022, the transaction has achieved meaningful progress and is expected to conclude by end of FY22. On a consolidated basis, FCL revenues are likely to decline with discontinuation of domestic health & hygiene segments which formed about 65% of consolidated revenues. However, there is no likely impact on the credit profile of FCL as reduction in scale of operations shall be supported by debt reduction as well.

The revision in the ratings assigned to the bank facilities of FCL take into account improvement in liquidity and financial position with significant debt rationalization undertaken through asset monetization at the standalone level, shipping division as well pre-closure of term debt in the European subsidiary; Lux International AG (LIAG). The business operations have also witnessed improvement with significant completion of the real estate project 'Vicinia', stable operations at Engineering & health Hygiene segment (domestic operations) as well as gradual turnaround witnessed in LIAG during 9MCY21 (CY refers to period January to December) with the entity reporting operating profits during the stated period. The ratings continue to derive strength from the experienced promoter group i.e. Shapoorji Pallonji and Company Private Limited (SPCPL).

The aforementioned rating strengths are tempered by the relatively moderate size and scale of operation expected post demerger of EFL, profitability susceptible to fluctuation in input prices, performance of engineering division likely to be impacted by the cyclical nature in the auto industry, subdued performance of the IT business and eroded network base with impairment losses reported in the past.

Based on the company's request, CARE has also withdrawn the rating assigned to the proposed Non-Convertible Debentures (NCDs) of FCL with immediate effect, as the company had not issued the proposed NCDs.

Rating Sensitivities

Positive Factors- Factors that could lead to positive rating action/upgrade:

¹Complete definitions of the ratings assigned are available at www.careedge.in and in other CARE Ratings Ltd.'s publications.
CARE Ratings Limited

- Scaling up of business operation along with improvement in profitability

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Weakening of credit profile of the European subsidiary; LIAG necessitating higher than envisaged financial support
- Any large debt addition/support to group entities impacting the liquidity/financial position

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoter group: FCL is a part of the Shapoorji Pallonji group and benefits from the legacy of more than 154 years of operations in various businesses of the group. The flagship company of the group i.e. Shapoorji Pallonji and Company Private Limited (SPCPL, rated CARE BBB; Stable/CARE A3+) is one of the leading construction companies of India and is equally held by Mr. Shapoor P. Mistry and Mr Cyrus P. Mistry through the group's investment companies.

The Shapoorji Pallonji group is an extensive conglomerate with business interests in several sectors such as real estate, coal mining, power, ports, roads, biofuels & agriculture, shipping & logistics, consumer products, textiles etc. Most of Shapoorji Pallonji groups' businesses are held by SPCPL as subsidiaries.

Significant debt reduction improving the financial position: The company has undertaken debt rationalization plan with various measures undertaken to reduce the debt and improve the financial/liquidity position. The consolidated external debt of FCL has reduced by about Rs.440 crore during the period FY21 & H1FY22 with significant reduction in term debt by about Rs.360 crore during the said period. The reduction in debt is in the subsidiaries of FCL viz. Shapoorji Pallonji Forbes Shipping Limited (SPFSL, rated CARE BBB-; Stable), Forbes Technosys Limited (FTL) and LIAG. During FY21, SPFSL had sold 3 of its vessels and the proceeds were utilized towards full repayment of External Commercial Borrowings-I (ECB-I) leading to significant reduction in debt. The debt reduction during H1FY22 is majorly on account of repayment of entire term debt in foreign subsidiary- LIAG as well as repayment of term debt in standalone level. By end of March 2022, debt level is further expected to reduce by about Rs.380 crore following deconsolidation of EFL w.e.f. February 01, 2022 and proposed monetization of one more vessel at SPFSL.

FCL has entered into agreement for monetization of its land parcel at Chandivali, with the proceeds to further aid the debt reduction/augment liquidity.

Thus, going ahead, debt in FCL (consolidated) would largely comprise term debt of standalone business and FTL along with working capital debt of FCL (standalone), FTL and LIAG.

Satisfactory performance of ongoing real estate project: The company has undertaken development of residential real estate project by the name of 'Vicinia'. The project is undertaken along with another group entity; Paikar Real Estate Limited with share of each at 50%. The development under FCL comprises 294 units under Phase I & II. Phase I has been almost completed with Occupancy Certificate received and flats handed over to customers. Phase II is under development with 58% flats sold as on August 31, 2021. On an overall basis, about 84% of the cost has been incurred as on August 31, 2021. The committed receivable from sold inventory covers almost 92% of the balance project cost. As on August 31, 2021, there is no outstanding debt in the project. The entire project is expected to be completed by June 2022.

Stable revenue with improvement in operating profits during FY21 & 9MFY22: During FY21, FCL at consolidated level continued to operate under 5 verticals namely, real estate, engineering, health & hygiene, shipping and IT business. All the business segments, except IT business are generating operating profits. The revenue of FCL at consolidated level continued to remain stable with marginal growth of about 3% to Rs.2,866 crore during FY21. The revenue contribution from real estate segment increased significantly during FY21 on account of adoption of new revenue recognition standards as per MCA for Ind CARE Ratings Limited

AS 115, however, the same was dragged down by other segments especially IT segment and Health & Hygiene segment. Due to higher revenue contribution from real estate segment and lower development expenses during FY21, the overall consolidated PBILDT level & margin improved by 3.61x and 503 bps respectively. However, the large impairment provisions on the IT business and losses on sale of shipping vessels have resulted in net loss during FY21.

The consolidated revenue & operating profit witnessed y-o-y improvement during 9MFY22 by about 10% and 9% respectively. The PBILDT margin continued to be on similar levels at about 7% during 9MFY22. However, FCL at consolidated level continued to report net loss on account of exceptional expense of Rs.84.20 crore largely attributed to impairment of goodwill & investment in JV of EFL (AMC Cookware (PTY) Limited). The cashflow from operations continued to remain positive.

Gradual turnaround of European operations: FCL has been the ultimate holding company of LIAG. Consequent to merger-demerger of EFL, as a part of Composite Scheme of Arrangement; LIAG has become direct subsidiary of FCL. The European operations have continuously reported operating loss during the past few years which has pulled down the overall profitability of the company, at consolidated level. With major restructuring undertaken in LIAG, particularly hiving off loss making subsidiaries and distributorship model adopted in the respective locations, the business is gradually turning around. This has been complemented by closure of entire term debt in LIAG during current fiscal and a small working capital borrowing as debt in its books. Hence, the continuation of European business in FCL is not expected to deteriorate its credit profile. Any higher than envisaged support from FCL is viewed as a key rating monitorable.

Liquidity: Adequate

The liquidity profile of FCL at consolidated level is adequate with cash accruals and cash flow from operations sufficient against debt servicing obligation for FY22. FCL at consolidated level incurred net loss of Rs.12 crore during 9MFY22 majorly on account of exceptional expenses pertaining to impairment of goodwill & investment in JV (AMC Cookware (PTY) Limited) by EFL. However, excluding the impairment expenses, GCA would be Rs.72 crore during 9MFY22.

As on November end, 2021, FCL had cash & bank balance of about Rs.25 crore & about Rs.77 crore at standalone and consolidated level respectively. The utilization of FCL's (standalone) working capital limits has been moderate with average utilization being around 80% during the last 12-month period ended on September 30, 2021.

Key Rating Weaknesses

Restricted size and scale, post deconsolidation of EFL: FCL had presence in the health & hygiene segment through EFL which is one of the leading direct sales companies with leadership presence in Indian water purification segment and vacuum cleaner segment led by strong brands like Aquaguard, Euroclean and Aquasure. During FY21, EFL (standalone) contributed about 75% of consolidated revenue of FCL. With deconsolidation of EFL, the revenue base of FCL would contract significantly with business operations confined to engineering, IT and real estate business. The health and Hygiene business through overseas subsidiary; LIAG would continue to operate under FCL. However, the synergies and benefit from the business is yet to be seen. While LIAG has turned around in current fiscal (9MCY21), further improvement in the financial performance of LIAG with minimal or no financial support from FCL and turnaround of the operations on sustainable basis would be key monitorable.

Subdued performance of IT segment: The IT segment of the FCL is operated under subsidiary Forbes Technosys Limited (FTL) and has been facing liquidity issues due to muted demand for the past few years which further worsened due to the impact of Covid-19 pandemic. During the period FY19-21, the revenue of IT segment of FCL decreased by about 77% from Rs.124.00 crore in FY19 to Rs.28 crore in FY21 along with cash loss during FY21. The subdued performance of FTL has been dragging the overall performance of the FCL at standalone level due to continued impairment of investment & loans in FTL for the past few years. However, the entire investment in FTL has been impaired and going further there is no impairment envisaged. The debt repayment of FTL is supported by FCL.

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Profitability susceptible to cyclicality in auto segment: Upon completion of the real estate project 'Vicinia', engineering division would be one of the major revenue contributor for FCL. With more than 70% revenue in the engineering space derived from automobile companies as end users, the business and profitability would be susceptible to cyclicality in the auto segment and also availability/fluctuation in input prices.

Erosion of entire network at consolidated level: During the period FY19-21, FCL at consolidated level has booked impairment of goodwill & investment amounting to Rs.346 crore as against total operating profit of Rs.418 crore during the same period. Out of Rs.346 crore, FCL booked impairment of Rs.215 crore & Rs.121 crore during FY20 & FY21 leading to erosion of entire network.

Analytical approach: Consolidated as there exists financial and management linkages with the subsidiaries. List of companies consolidated is attached as Annexure 6.

Applicable Criteria:

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Policy on Withdrawal of ratings](#)

[Rating Methodology: Consolidation](#)

[Rating Methodology - Manufacturing Companies](#)

[Criteria for Short Term Instruments](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Financial Ratios – Non-Financial Sector](#)

About the Company

Forbes and Company Limited (FCL) is a public listed entity and a subsidiary of Shapoorji Pallonji's flagship company Shapoorji Pallonji and Company Private Limited (SPCPL, rated CARE BBB; Stable/CARE A3+), the holding-cum-operating company of the SP group. Forbes & Company Limited 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) and the remaining is held by Public.

FCL on a standalone basis operates under two divisions: engineering and real estate, with other business verticals i.e. shipping, IT and health & hygiene business under subsidiaries. The domestic health & hygiene business operated under erstwhile subsidiary EFL has been demerged w.e.f. February 01, 2022.

Brief Financials - Consolidated (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (U/A)
Total operating income	2775.52	2866.00	2028.91
PBILDT	56.00	201.91	138.71
PAT	(338.21)	(108.02)	(69.00)
Overall gearing (times)	109.87	NM	NA
Interest coverage (times)	0.53	2.23	2.77

A: Audited, U/A: Unaudited, NM: Not meaningful, NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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

Complexity level of various instruments rated for this company: Annexure 4

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	March 2026	90.98	CARE BBB-; Stable
Fund-based - LT-EPC/PSC	-	-	-	-	35.50	CARE BBB-; Stable
Non-fund-based - ST-BG/LC	-	-	-	-	23.50	CARE A3
Debentures-Non Convertible Debentures	-	-	-	-	0.00	Withdrawn

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	90.98	CARE BBB-; Stable	1)CARE BB+ (CWP) (28-Sep-21)	1)CARE BB+; Negative (10-Nov-20) 2)CARE A-(CWN) (12-May-20)	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)
2	Debentures-Non Convertible Debentures	LT	-	-	1)CARE BB+ (CWP) (28-Sep-21)	1)CARE BB+; Negative (10-Nov-20) 2)CARE A-(CWN) (12-May-20)	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)
3	Fund-based - LT-EPC/PSC	LT	35.50	CARE BBB-; Stable	1)CARE BB+ (CWP) (28-Sep-21)	1)CARE BB+; Negative (10-Nov-20) 2)CARE A-(CWN) (12-May-20)	1)CARE A; Stable (26-Nov-19)	-
4	Non-fund-based - ST-BG/LC	ST	23.50	CARE A3	1)CARE A4+ (CWP) (28-Sep-21)	1)CARE A4+ (10-Nov-20) 2)CARE A2+ (CWN) (12-May-20)	1)CARE A1 (26-Nov-19)	-

Annexure-3: Detailed explanation of covenants of the rated instrument/facilities – Not Applicable

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Annexure 4: Complexity level of various instruments rated for this Company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-EPC/PSC	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Annexure 6: List of subsidiaries consolidated

Name of companies	% of holding as on March 31, 2021
Subsidiaries	
1. Eureka Forbes Limited and its subsidiaries:	100.00
- Aquaignis Technologies Private Limited	100.00
- Forbes Lux International AG [§]	100.00
- Lux International AG [§]	100.00
- Lux del Paraguay S.A. [§]	80.00
- Lux Schweiz AG [§]	100.00
- Lux International Services and Logistics GmbH [§] (formerly Lux Service GmbH)	100.00
- Lux Osterreich GmbH [§]	100.00
- Lux Hungária Kereskedelmi Kft. [§]	100.00
- LIAG Trading & Investment Ltd. [§]	100.00
- Lux Welity Polska Sp zoo (w.e.f. July 29, 2019)	100.00
- Lux Professional Aqua Paraguay S. A. (formerly Lux Aqua Paraguay S.A)	100.00
- EFL Mauritius Limited	100.00
- Euro Forbes Financial Services Limited	100.00
- Euro Forbes Limited [§]	100.00
- Forbes Lux FZCO [§]	100.00
- Forbes Facility Services Private Limited	100.00
- Forbes Enviro Solutions Limited	100.00
- Forbes Aquatech Limited (subsidiary w.e.f. August 28, 2020)	66.67
- Infinite Water Solution Private Limited (subsidiary w.e.f. March 31, 2021)	100.00
2. Forbes Campbell Finance Limited and its subsidiaries:	100.00
- Forbes Campbell Services Limited	98.00
3. Forbes Technosys Limited	100.00
4. Volkart Fleming Shipping and Services Limited	100.00
5. Shapoorji Pallonji Forbes Shipping Limited	25.00
6. Campbell Properties & Hospitality Services Limited	100.00
Joint Ventures	
1. Forbes Concept Hospitality Services Private Limited (JV of EFL)	50.00
2. AMC Cookware (Proprietary) Limited [§] (JV of Lux International AG)	50.00
3. Forbes Bumi Armada Limited (JV of Forbes Campbell Finance Limited)	51.00
Associates	
1. Euro P2P Direct (Thailand) Co. Limited	49.00
2. Nuevo Consultancy Services Private Limited	49.00
3. Dhan Gaming Solution (India) Private Limited	49.00

[§]Reporting date is December 31, 2020

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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