Shapoorji Pallonji

September 20, 2018

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

Dear Sirs,

Credit Rating - Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015, we would like to inform you that CARE Ratings Limited, has today informed us, that it has reaffirmed the credit rating of the Company's outstanding Non-convertible Debentures (after enhancement of amount from Rs. 75 Crores to Rs. 120 Crores) and the long term Bank Facilities as under:

Facilities	Amount (Rs. Crores)	Rating
Proposed Non-Convertible Debenture Issue	120	CARE AA- Stable (Double A minus, Outlook: Stable)
Long term Bank Facilities	75	CARE AA- Stable (Double A minus, Outlook: Stable)

We are enclosing herewith the press releases issued by CARE Ratings Limited.

We request you to take on record the aforesaid Credit Ratings of the Company.

Thanking you

Yours faithfully,
For Forbes & Company Limited

Pankaj Khattar
Head Legal & Company Secretary

Encl: as Above

Annexure 2

Press Release

Forbes and Company Limited

Rating

Facilities/ Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	75.00	**CARE AA-;Stable (Double A Minus; Outlook:Stable)**	**Reaffirmed**
Proposed Non-Convertible Debenture (NCD) issue	120.00 (Enhanced from Rs.75.00 crore)	**CARE AA-;Stable (Double A Minus; Outlook:Stable)**	**Reaffirmed**
Total facilities/instrument	**Rs. 195.00 crore (Rupees One Hundred Ninety Five crore only)**		

^Details of instruments/facilities in Annexure-1

Detailed Rationale& Key Rating Drivers

The reaffirmation of ratings assigned to bank facilities and enhanced proposed NCD issue of Forbes and Company Limited (FCL)derive comfort from the aspect of FCL being part of the resourceful Shapoorji Pallonji group and the financial flexibility the group's flagship company Shapoorji Pallonji and Company Private Limited (SPCPL, rated 'CARE AA+ Stable') enjoys.

The rating also factors in streamlined income realisation from its High performance tool portfolio along with its real estate venture – 'Vicinia', the market leadership position in electric water purifier and vacuum cleaner segment of key subsidiary Eureka Forbes Limited. (EFL, rated 'CARE AA- Stable'). The ratings also factors favourably the Credit Enhancement on the part of debt of its key subsidiary Shapoorji Pallonji Forbes Shipping Company (SPFSL, rated 'CARE AA(SO), Stable') from SPCPL.

The rating strengths are however tempered by continuing weak operating performance of Lux International AG (LIAG) along with FCL's substantial exposure towards loss-making wholly owned subsidiary Forbes Technosys Limited (FTL) whose debt is backed by Corporate Guarantee from FCL.

The timely realization of envisaged revenue from its Real Estate project and improvement in operating and financial performance of its key subsidiaries would be key rating sensitivities.

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

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

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

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Detailed description of the key rating drivers
Key Rating Strengths

Experienced and resourceful promoter - SPCPL

SPCPL, the holding-cum-operating company of the Shapoorji Pallonji group (refers to companies ultimately held by the Mistry family), is one of the leading construction companies of India.

The Shapoorji Pallonji group is one of the India's oldest and well reputed business groups in the construction, infrastructure and real estate space, with more than 152 year history. As the group's flagship company, Shapoorji Pallonji & Company Private Limited (SPCPL) benefits from vast experience of its highly qualified promoters and management as well as from the group's resourcefulness.

The Shapoorji Pallonji group is the largest private shareholder of Tata Sons Limited (TSL, holding company of the Tata group) with 18.37% stake, providing substantial financial flexibility to its various group companies and strengthening the credit profile.

Leadership position in domestic water purification and vacuum cleaners of Eureka Forbes Limited

EFL, one of the key subsidiaries of FCL is one of the leading direct sales companies having strong distribution network of more than 7000 strong direct sales force with operations in more than 550 cities and towns. In addition, the company's consumer channel has ~20,000 dealers present across 1,550 towns in the country.

EFL enjoys leadership position both in domestic water purification and vacuum cleaner industry. Over the years, its brand 'Aquaguard' has become a household name for water purifiers. Besides, the company also has other well known brands such as 'Aquasure' and 'Euroclean' in the water purifier (entry-level) and vacuum cleaner segments respectively.

Substantial value derived from the existing real estate holdings, engineering division and new project developments

FCL continues to monetize efficiently its existing real estate holdings by leasing out the same at rates closer to ongoing market rates. In FY18, it generated around Rs. 16.78 crore (Rs.15.64 crore in FY17) of rentals from its existing holdings. The management estimates contribution to revenue of about Rs. 16-17 crore annually up to FY20.

In FY18, FCL in its engineering division have witnessed a y-o-y growth of 7% in the revenue on account of its portfolio expansion under the brand name of "Totem" along with geographical diversification in the high potential export markets.

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For the VICINA project, which is being concurrently developed with Videocon Realty and Infrastructure Ltd. (Videocon Group) on a land parcel of 7 acres at Chandivali, Mumbai, FCL has been able to receive booking for around ~129 flats as at March 31, 2018 as per annual report of FY18 from its share. The project is scheduled to be completed by June2021. Further, the completion of the Real Estate project and the timely realisation of revenues from the project would remain key to the revenue growth in the medium term.

Debt coverage indicators continues to remain around similar levels

At consolidated level, FCL credit profile consists of borrowing majorly in the books of subsidiaries. The major amount is acquisition debt by EFL group for LIAG. After, adjusting the unencumbered cash from total debt which amounts to Rs. 136.99 crore (previous year Rs. 190.34 crore), the overall gearing continues to remain on the similar levels at 2.41x as on March 31, 2018(2.18x as on March 31, 2017). Despite higher interest expenses in FY18, interest coverage had slightly moderated to 1.60 times from 1.88 times in FY17.

Key Rating Weaknesses

Moderate operating performance at consolidated level

FCL performance at consolidated level remained subdued which is demonstrated in terms of stagnant growth in revenue and low operating profitability margins of its subsidiaries. The total operating revenue remained subdued with 6.00% decline to Rs. 2,849.44 crore in FY18 from Rs 3,032.00 crore in FY17 on y-o-y basis. Though, PBILDT margins have improved to 5.58% from 4.62% in FY17 on account improved performance of engineering division however remains low on account of continuous weak performance demonstrated by LIAG, an European subsidiary of EFL on account of unfavourable market conditions in Europe. In India, on account of uncertainties related to implementation of GST(Goods and Service Tax), FCL's subsidiaries like FTL's and EFL's performance remain effected due to low off take for the products thus impacting the operating profitability margins. FCL reported net losses for FY18 of Rs.32.30 crore on account of increase in the interest expenses at the back of high working capital utilisation during the year.

Analytical approach: Consolidated

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 Palloniji 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 73.85% thereby translating it into a subsidiary of SPCPL. Forbes & Company along with its subsidiaries are known as Forbes and Company Group (FCG).

In FY17 FCL hived off its Shipping and Logistics division and now actively operates into two divisions i.e, Engineering and Real Estate. FCL is having their manufacturing facilities located in Aurangabad and Mumbai.

Forbes and Company Limited 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 Limited (EFL, rated CARE AA- Stable/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 Limited (SPFSL, rated CARE AA (SO) Stable)**: the company owns and operates five vessels (chemical tankers) which are placed with poollocated at Singapore.
3. **Forbes Technosys Limited (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 Financials (Rs. crore)	FY17 (A)	FY18(A)
Total operating income	3033.69	2849.44
PBILDT	139.85	158.99
PAT	89.34	(32.20)
Overall gearing	2.61	2.73
Interest coverage (times)	1.88	1.59

Status of non-cooperation with previous CRA: NA
Any other information: NA
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.

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	-	-	September 2021	75.00	CARE AA-; Stable
Proposed Debentures-Non Convertible Debentures	-	-	-	120.00	CARE AA-; 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	75.00	CARE AA-; Stable	-	1)CARE AA-; Stable (16-Mar-18) 2)CARE AA-; Stable (04-May-17)	-	-
2.	Proposed Debentures-Non Convertible Debentures	LT	120.00	CARE AA-; Stable	-	1)CARE AA-; Stable (16-Mar-18) 2)CARE AA-; Stable (04-May-17)	-	-

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