



## Rating Rationale

27 May 2020

### Future Enterprise Limited

### Brickwork Ratings Revises the ratings for the Non-Convertible Debentures ₹.850 Crores of Future Enterprise Limited

#### Particulars:

Instrument	Previous Amount (Rs. Cr)	Present Amount (Rs. Cr)	Tenor	Previous Rating* April 2020	Present Rating*
NCD	300.00	300.00	Long Term	<b>BWR A Credit Watch with Negative implications</b>	<b>BWR A- Credit Watch with Negative implications</b>
	250.00	250.00			
NCD	300.00#	300.00#			
<b>Total</b>	<b>850.00</b>	<b>850.00</b>	<b>Rupees Eight Hundred Fifty Crores Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for the definition of the ratings  
#Rs.104 Cr have been raised, and the balance is yet to be raised

#### RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) has downgraded the rating to BWR A- Credit Watch with Negative Implications.

The downgrade is on account of the weakening of business, financial and liquidity profile of the issuer, slower expected recovery due to the extended lockdown and after effects in the company's non-essential products, expected deterioration in its lease rental income and profitability, dependence on Future Retail Limited (FRL) as its key customer (the credit profile of which has been adversely impacted) and weakening financial flexibility at the group level.

The rating continues to be on Credit Watch with Negative Implications on account of a disruption due to COVID-19 in the operations of the company and its key customer FRL, which may increase its working capital needs and uncertainty, and adversely impact the operating cash flow and liquidity.



## KEY RATING DRIVERS

### Credit strength

- **Experienced promoters and management:**  
The promoters of Future Enterprises Limited (FEL) have been closely involved in the management of business and in defining and monitoring the business strategy for the company. Furthermore, the promoters are supported by a strong management team that has significant relevant experience.
- Revenue and profitability improvement was witnessed during FY19 and 9M Dec 19 on account of an improvement in business performance.
- The rating also factors in ongoing dis-investment plans across non-core business and FEL's efforts in new vertices to boost growth.

### Credit Risk

- Recently the debt level of the company has lowered on account of the selling the assets to FRL. However, the corresponding income on the assets will decline which will impact the financial profile of the company.
- Intense competition exists in the industry.
- High level of pledge of promoters equity and falling and volatile market capitalisation.
- **Impact of COVID-19:** The ongoing lockdown on account of COVID-19 and a disruption in the supply chain has impacted the company's operations, thereby affecting the overall financial strength and liquidity, which is expected to be managed by the release of peak limit by banks, and the availment of a moratorium as permitted by the RBI for the payment of debt from lenders.

## ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has essentially relied on the audited financial results from FY15 to FY19, the nine months results of FY20 of FEL, and publicly available information and information/clarification provided by the company.



## **KEY RATING SENSITIVITIES**

The company's ability to scale-up its operations at the consol level and manage its debt and working capital, improve debt protection metrics, profitability and the liquidity at the company and group level would be key rating sensitivities.

**Positive:** An improvement in debt protection metrics, along with liquidity, profitability and financial profile

**Negative:** Deterioration in the financial flexibility, liquidity, debt protection profile of the company and delay in divestment at the group level.

## **LIQUIDITY POSITION: Stretched**

Current liquidity position is expected to deteriorate further on account of the ongoing disruption in sales and cash collection, impacted by the ongoing lockdown on account of COVID - 19. There is a cash flow mismatch, which is expected to be managed by the release of peak limits from lenders and the moratorium availed by the company and some of the group companies on the repayment of debt from the lenders as per the RBI package and reschedulement sought for the NCDs.

## **COMPANY PROFILE**

Erstwhile Future Retail Ltd. has been renamed as Future Enterprises Ltd. (FEL) and houses the physical assets (erstwhile FRL and Bharti Retail Limited, including all the infrastructure assets) apart from strategic investments in various companies. The company is also in the business of manufacturing mens wear, womens wear and kids wear in the denim segment. Consequent to the demerger, the long-term debt (consisting of bank term loans and NCDs of erstwhile FRL) was shifted to the books of FEL; it has been partly shifted back. Following the demerger, FEL has three lines of business, namely lease rental; the manufacture, distribution and trading of fashion garments and a strategic investments portfolio.

The promoters of FEL, led by Mr. Kishore Biyani, have been closely involved in the management of business and in defining and monitoring the business strategy for the company.



## KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY 2018	FY 2019	9M Dec 2018	9M Dec 2019
Result Type		Audited	Audited	Unaudited	Unaudited
Total Operating Income	Rs. in cr	5103.09	5983.14	4416.26	4582.38
EBITDA	Rs. in cr	1202.94	1475.85	1033.50	1249.77
PAT	Rs. in cr	39.74	175.44	36.40	25.27
Tangible Net Worth	Rs. in cr	4047.91	4070.55	-	-
Total Debt: Net worth	Times	1.56	1.65	-	-
Current Ratio	Times	1.99	1.70	-	-

## KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED

### Key terms of NCD's

#### For NCD of issue amount of Rs. 300.00 Cr, Rs.300 Cr and Rs.250 Cr

The company has made a NCD issue of Rs. 300.00 Cr, Rs.300 Cr and Rs.250 Cr with a tenor upto 10 years. The NCD has a bullet repayment at the end of the maturity. The NCD is secured by a first pari passu charge on the specific assets of the company. The issuer to fund the interest payment account to the extent of interest/coupon amount due on NCDs on T-1 day in the case of the DSRA in the form of a fixed deposit or T-2 days in the case of a bank guarantee or T-3 days in the case of AAA-rated bonds (wherein T is the interest payment date), failing which the DSRA would be invoked). In the case of the first and second NCD issues of Rs.300 Cr and Rs.250 Cr, the company has created a DSRA via 'AAA' rated liquid investments. In the case of the third NCD of Rs.300 Cr, the company has created a DSRA via a fixed deposit.

## NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY

**RATING HISTORY FOR PREVIOUS THREE YEARS (Including withdrawn and suspended)**

Sl No	Instrument / Facility	Current Rating (Year 2020)		Rating History																																												
		Type	Amount (Rs Cr)	Rating	2020	2019	2018	2017																																								
1	NCD		300.00																																													
2	NCD		250.00																																													
3	NCD	Long Term	300.00	BWR A-Credit Watch With Negative Implications	20.03.2020 <table border="1"> <tr> <td>NCD</td> <td>25</td> <td>Withdrawn</td> </tr> <tr> <td>NCD</td> <td>300</td> <td rowspan="2">BWR AA-Credit Watch with Developing Implications</td> </tr> <tr> <td>NCD</td> <td>250</td> </tr> <tr> <td>NCD</td> <td>300</td> <td></td> </tr> </table> 19.03.2019 <table border="1"> <tr> <td>NCD</td> <td>25</td> <td>BWR AA-Stable</td> </tr> <tr> <td>NCD</td> <td>300</td> <td rowspan="2">BWR AA (SO) Stable</td> </tr> <tr> <td>NCD</td> <td>250</td> </tr> <tr> <td>NCD</td> <td>300</td> <td></td> </tr> </table> 09.02.2018 <table border="1"> <tr> <td>NCD</td> <td>25</td> <td>BWR AA-Stable</td> </tr> <tr> <td>NCD</td> <td>300</td> <td rowspan="2">BWR AA (SO) Stable</td> </tr> <tr> <td>NCD</td> <td>250</td> </tr> <tr> <td>NCD</td> <td>300</td> <td></td> </tr> </table> 13.04.2020 <table border="1"> <tr> <td>NCD</td> <td>300</td> <td rowspan="3">BWR A Credit Watch with Negative Implications</td> </tr> <tr> <td>NCD</td> <td>250</td> </tr> <tr> <td>NCD</td> <td>300</td> </tr> </table>	NCD	25	Withdrawn	NCD	300	BWR AA-Credit Watch with Developing Implications	NCD	250	NCD	300		NCD	25	BWR AA-Stable	NCD	300	BWR AA (SO) Stable	NCD	250	NCD	300		NCD	25	BWR AA-Stable	NCD	300	BWR AA (SO) Stable	NCD	250	NCD	300		NCD	300	BWR A Credit Watch with Negative Implications	NCD	250	NCD	300			
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**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

Status of non-cooperation with previous CRA (if applicable)-Reason and comments: NA  
 Any other information: NA



### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Group support](#)
- [Industry](#)

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**Future Enterprise Limited**

**Annexure I**

Sr. No.	Instrument/Facility	ISIN No	Issue Date	Amount (Rs. Cr)	Coupon	Maturity Date
1	NCD	INE623B07404	13-Oct-16	25.00	9.75%	13-Oct-21
2		INE623B07412	13-Oct-16	25.00	9.80%	13-Oct-23
3		INE623B07420	26-Oct-26	20.00	9.75%	26-Oct-21
4		INE623B07438	26-Oct-16	30.00	9.80%	26-Oct-23
5		INE623B07446	5-Dec-16	6.00	9.75%	5-Dec-21
6		INE623B07453	5-Dec-16	29.00	9.80%	5-Dec-23
7		INE623B07461	21-Dec-16	27.00	9.50%	21-Dec-23
8		INE623B07479	21-Dec-16	18.00	9.55%	21-Dec-23
9		INE623B07545	26-Apr-17	45.00	9.28%	26-Apr-24
10		INE623B07552	9-May-17	24.00	9.17%	9-May-22
11		INE623B07560	9-May-17	26.00	9.28%	9-May-24
12		INE623B07578	16-May-17	2.00	9.17%	16-May-22
13		INE623B07586	16-May-17	23.00	9.28%	16-May-24
14		INE623B07594	26-Sep-17	88.00	8.80%	26-Sep-2022
15		INE623B07602	26-Sep-17	75.00	8.91%	26-Sep-2024
16		INE623B07610	13-Oct-17	87.00	8.91%	13-Oct-2024
17		INE623B07644	12-Mar-19	20.00	9.40%	12-Mar-23
18		INE623B07651	12-Mar-19	59.00	9.50%	12-Mar-25
19		INE623B07669	12-Mar-19	25.00	9.50%	12-Mar-25
	Total			654.00		

**ANNEXURE II**

**List of entities consolidated**

<b>Name of Entity</b>	<b>% ownership</b>	<b>Extent of consolidation\$</b>	<b>Rationale for consolidation</b>
Bluerock eServices Private Limited	100.00	100.00	Subsidiary
Future E-Commerce Infrastructure Limited	86.71	100.00	Subsidiary
Future Media (India) Limited	93.10	100.00	Subsidiary
Future Merchandising and Sourcing Pte. Ltd.	100.00	100.00	Subsidiary
Future Supply Chain Solutions Limited (FSCSL) (Subsidiary of RTPL w.e.f. December 24, 2018)	51.22	100.00	Step down Subsidiary
Futurebazaar India Limited	100.00	100.00	Subsidiary
Office Shop Private Limited (100% Subsidiary of Work Store Limited)	61.67	100.00	Step Down Subsidiary
Ritvika Trading Private Limited (RTPL) (w.e.f. November 19, 2018)	100.00	100.00	Subsidiary
Vulcan Express Private Limited (100% Subsidiary of FSCSL)	51.22	100.00	Step down Subsidiary
Work Store Limited	67.67	100.00	Subsidiary
Apollo Design Apparel Parks Limited	39.00	39.00	Joint Venture
Future Generali India Insurance Company Limited	25.51	25.51	Joint Venture





Future Generali India Life Insurance Company Limited	7.77	7.77	Joint Venture
Goldmohur Design and Apparel Park Limited	39.00	39.00	Joint Venture
Shendra Advisory Services Private Limited	49.82	49.82	Joint Venture
Sprint Advisory Services Private Limited	49.81	49.81	Joint Venture
Leanbox Logistics Solutions Private Limited (Associate of FSCSL)	25.61	25.61	Associate

\$Out of the extent of consolidation % mentioned above for subsidiaries and step down subsidiaries, there will be a deduction of minority interest to the extent of non holding stake.

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