



Rating Rationale

21 Aug 2020

Future Enterprise Limited

Brickwork Ratings downgrades 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* July 2020	Present Rating*
NCD	300.00	300.00	Long Term	BWR BB+ Credit Watch with Negative implications	BWR C Downgrade
	250.00	250.00			
NCD	300.00#	300.00#			
Total	850.00	850.00	Rupees Eight Hundred Fifty Crores Only		

*Please refer to BWR website 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 C.

The downgrade of the NCD rating of the issuer company is on account of non payment of interest due on 17th August 2020 on its NCD bearing ISINs INE623B07487 and INE623B07495 which are not rated by BWR.

KEY RATING DRIVERS

Credit strength

- **Experienced promoters and management:**

The promoters issuer company 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 management team.

Credit Risk

- The liquidity of the company and the group has been deteriorating on account of loss of revenue leading to non payment of interest of the NCD which was due on 17th August 2020.



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 and publicly available information.

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: Payment of the debt obligation and improvement in debt protection metrics, along with liquidity, profitability and financial profile.

Negative: Further deterioration in the financial flexibility, liquidity, and debt protection profile of the company and not honouring the debt commitments on due date.

LIQUIDITY POSITION: Poor

Current liquidity position is poor and is expected to deteriorate further. The company failed to make interest payments for two of their NCDs which were due on 17th August 2020.

The company has availed the moratorium from lenders as per the RBI package and also requested the lenders to release the peak limits and COVID emergency limits to support the working capital requirement which is not yet released/disbursed.

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 rated by BWR

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: NA

RATING HISTORY
(Including withdrawn and suspended)

FOR PREVIOUS THREE YEARS

SI No	Instrument / Facility	Current Rating (Year 2020)		Rating History									
		Type	Amount (Rs Cr)	Rating	2020			2019		2018		2017	
1	NCD	Long Term	300.00	BWR C	20.03.2020								
2	NCD		250.00		NCD	25	Withdrawn						
					NCD	300	BWR AA-Credit						
					NCD	250	Watch with Developing Implications						
					NCD	300	Watch with Developing Implications						
					13.04.2020								
					NCD	300	BWR A Credit	19.03.2019			09.02.2018		
					NCD	250	Watch with Negative Implications	NCD	25	BWR AA-Stable	NCD	25	BWR AA-Stable
					NCD	300	Watch with Negative Implications						
					27.05.2020			NCD	300	BWR AA (SO) Stable	NCD	300	BWR AA (SO) Stable
					NCD	250	Watch with Negative Implications	NCD	250		NCD	250	
					NCD	300	Watch with Negative Implications	NCD	300		NCD	300	
					31.07.2020								
					NCD	300	BWR BB+ Credit						
					NCD	250	Watch with Negative Implications						
					NCD	300	Watch with Negative Implications						
			850.00		Rupees Eight Hundred Fifty Crores Only								



COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit 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](#)
- [Manufacturing Industry](#)
- [Default recognition](#)

Analytical Contacts	Investor and Media Relations
<p>Bal Krishna Piparaiya Senior Director - Ratings B :+91 22 2831 1426, +91 22 2831 1439 piparaiya.bk@brickworkratings.com</p> <p>Heta Mehta Ratings Analyst D : +91 22 6745 6612 B :+91 22 2831 1426, +91 22 2831 1439 heta.m@brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>

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

Name of Entity	% ownership	Extent of consolidation\$	Rationale for consolidation
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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