

Press Release

Future Corporate Resources Private Limited

(Formerly known as Suhani Trading and Investment Consultants Private Limited)

January 04, 2019



Rating Assigned Reaffirmed and Withdrawn

| | |
|---------------------------|--|
| Total facilities | Rs.700.00 Cr. |
| Instruments Rated* | Rs.425.00 Cr. |
| Long Term Rating | ACUITE AA- (SO)/Stable# (Converted to final rating from ACUITE Provisional AA- (SO)/Stable) |
| Instruments Rated* | Rs.125.00 Cr. |
| Long Term Rating | ACUITE Provisional AA- (SO)/Stable# (Reaffirmed) |
| Instruments Rated* | Rs.150.00 Cr. |
| Long Term Rating | ACUITE Provisional AA- (SO)/Stable# (Withdrawn) |

*Refer Annexure for details

Credit enhancement on account of structured payment mechanism and escrow mechanism

Rating Rationale

Acuité has converted the provisional rating of '**ACUITE Provisional AA- (SO)**' (read as **ACUITE provisional double A minus structured obligation**) to final rating of '**ACUITE AA- (SO)**' (read as **ACUITE double A minus structured obligation**) assigned to non-convertible debenture (NCD) issue of Rs.425.00 crore of Future Corporate Resources Private Limited (FCRPL) (Previously known as Suhani Trading and Investment Consultants Private Limited). The outlook is '**Stable**'.

Acuité has received the final legal documents (debenture trust deed) related to the transaction. The documents are in line with the terms of the transaction as mentioned while assigning provisional rating. Hence, Acuité has converted the provisional rating to final rating. FCRPL has completed NCD issue of Rs.425.00 crore as on 02 February 2018.

Further Acuité has reaffirmed the provisional rating of '**ACUITE Provisional AA- SO**' (read as **ACUITE provisional double A minus structured obligation**) to proposed non-convertible debenture (NCD) issue of Rs.125.00 crore of (FCRPL). The outlook is '**Stable**'.

Acuité has also withdrawn the long term rating of '**ACUITE Provisional AA- (SO)**' (read as **ACUITE Provisional Double A minus structured obligation**) assigned to the Rs.150.00 crore Proposed Non-convertible Debenture (NCD).

Analytical approach: Acuité has considered credit enhancement in the form of escrow mechanism and pledge of shares of Future Group while arriving at the rating.

About the Issuer (FCRPL):

Future Corporate Resources Private Ltd was incorporated in the year 2007. FCRPL is engaged in trading of fabrics and management consulting services for future group of companies. FCRPL held 46.49 per cent shares of Future Retail Limited (FRL) as on 30 September 2018. FCRPL has formed by merging six companies namely Manz Retail Private Limited ESES Commercials Private Limited, PIL Industries Limited, Gargi Business Ventures Private Limited, Weavette Business Ventures Limited, and Future Corporate Resources Limited. This amalgamation is with effective from 31 March 2017.

Key rating drivers:**Strengths:****Rating driven by structured payment mechanism and pledge of shares in Future Retail Limited and Future Lifestyle Fashion Limited**

The NCDs are secured by a pledge of shares of Future Retail Limited and Future Lifestyle Fashion Limited with an asset coverage of 1.60 times the of the facility amount. Besides the asset coverage, the term sheet reflects the timelines for funding of the account, tolerance for any slippages below the stipulated asset coverage, timelines for top up and invocation of pledge etc. The rating factors in the adherence to a timely payment and escrow mechanism to be administered by the trustees to the NCD.

Long track record and established position of Future Group in organised retail trade

The Future Group (Future Retail Limited, Future Enterprises Limited and Future Lifestyle Fashion Limited) benefits from the established track record and extensive experience of the promoters in retail. The promoters are supported by a strong management team with significant experience in retail. Mr. Kishore Biyani, the founder and Group CEO of the Future group, is widely recognised as a pioneer of organised retail in India.

Future Retail Limited (FRL) the retail arm of Future Group, operates retail formats namely Big Bazaar, FBB, Easy day, E-zone etc. FRL utilises the infrastructure owned by Future Enterprises Limited. FRL reported net profit of Rs.11.31 crores on operating income of Rs.18477.97 crores for FY2017-18.

Future Enterprises Limited (FEL) houses the physical assets apart from strategic investments in various group companies. FEL is also engaged in the manufacturing of garments for men, women and kids. FRL reported net profit of Rs.39.74 crores on operating income of Rs.5103.09 crores for FY2017-18.

Future Lifestyle Fashion Limited (FLFL) markets fashion brands through exclusive brand outlets, department stores and multi brand outlets, as well as company operated chains such as Central, Brand Factory and Planet Sports. FLFL reported net profit of Rs.110.51 crores on operating income of Rs.4218.90 crores for FY2017-18.

Acuite believes that the Future group will benefit from its established position in organised retail and its proven strategy of scaling up operations through a mix of organic and inorganic initiatives.

Weaknesses**Debt servicing linked to timely refinancing/infusion of funds by the promoters**

FCRPL is engaged in trading of fabrics and management consultancy services for Future Group. It has raised funds based on pledge of shares held as investments and these companies are primarily investment companies with limited revenue streams. It has merged with six other group companies who are other functional investment companies of the future group. Since the operational cash flows would be inadequate to service the debt obligation, it is expected that Future group shall either infuse funds for timely servicing of the debt and/or arrange for timely refinancing.

Going forward, infusion of funds from Future Group, refinancing or timely liquidation of its investments to support servicing of debt will remain the key rating sensitivity.

Risk arising from adverse movement in stock prices

The rating is based on the structured payment mechanism and pledge of shares of FRL and FLFL. As per the term sheet the issuer has to maintain minimum asset coverage of 1.6 times of the

facility amount. The ability of the promoters to maintain the asset coverage will be central to rating. Since the stock market is prone to extreme volatility, the occurrence of events such as slowdown in FII flows, sharp depreciation in domestic currency, political events, and other such macroeconomic events, etc. can cause a decline in stock markets. Beside broader factors, company specific factors can also influence the movement in stock prices. This risk is mitigated by stipulation of caps on promoter's borrowings based on shares. However, in the event of sharp and continuous decline in the prices of the shares could potentially lead to challenges in adhering to the covenants.

Outlook – Stable

Acuite believes that the company will maintain a stable outlook over the medium term owing to its association with the Future Group and sizeable liquid investment portfolio. The outlook may be revised to 'Positive' if the company scales up operations while improving operating profitability and successfully able monetises its liquid and illiquid investments, thus reducing the debt of the company. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability and profitability or delays in receipt of support from promoters of the Future Group or lower than expected returns on the liquidation of investments.

About the Rated Entity – Key financials

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 450.50 | 0.32 | - |
| EBITDA | Rs. Cr. | (36.15) | (0.11) | - |
| PAT | Rs. Cr. | 4.41 | (1.31) | - |
| EBITDA Margin | (%) | (8.02) | (34.38) | - |
| PAT Margin | (%) | 0.98 | NA | - |
| ROCE | (%) | 7.60 | NA | - |
| Total Debt/Tangible Net Worth | Times | 2.10 | 1.67 | - |
| PBDIT/Interest | Times | 1.09 | (0.25) | - |
| Total Debt/PBDIT | Times | 9.19 | NA | - |
| Gross Current Assets (Days) | Days | 927 | NA | - |

*NA as the company has reported losses at PBDIT level.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Trading Entities - <http://acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Securitised Transactions - <https://www.acuite.in/view-rating-criteria-29.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|--|-----------|------------------|-----------------------------------|
| 30-Dec-2017 | Proposed Non-convertible debenture issue | Long term | 700.00 | ACUITE Provisional AA-(SO)/Stable |

***Annexure – Details of instruments rated**

| ISIN | Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Crore) | Ratings/Outlook |
|--------------|--|------------------|----------------|----------------|-------------------------------|---|
| INE241Z07016 | Non – convertible debentures | 29-Jan-2018 | 10.25 | 22-Jan-2021 | 100.00 | ACUITE AA- (SO)/Stable (Converted to final rating from ACUITE Provisional AA- (SO)/Stable) (Assigned) |
| INE241Z07024 | Non – convertible debentures | 05-Feb-2018 | 10.25 | 29-Jan-2021 | 325.00 | ACUITE AA- (SO)/Stable (Converted to final rating from ACUITE Provisional AA- (SO)/Stable) (Assigned) |
| - | Proposed Non-convertible debenture issue | Not Applicable | Not Applicable | Not Applicable | 125.00 | ACUITE Provisional AA-(SO)/Stable (Reaffirmed) |
| - | Proposed Non-convertible debenture issue | Not Applicable | Not Applicable | Not Applicable | 150.00 | ACUITE Provisional AA-(SO) (Withdrawn) |

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About Acuité Ratings & Research:

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